30 July 2020

Restore plc
("Restore" or the "Group" or "Company")

Half Year Results 2020

Resilient performance, activity and new business levels increasing

Restore plc (AIM: RST), the UK market leader in document management and business relocation, is pleased to announce its unaudited results for the six months ended 30 June 2020 ("H1" or "the period").

BUSINESS HIGHLIGHTS

- Progress with strategy maintained during H1 with new customers wins, continued investment in digital projects and cost efficiency plans
- Quickly adapted working practices and continued to operate all sites safely in line with COVID-19 secure guidelines
- Proudly supporting critical services including NHS, Nightingale hospitals and UK Government in its effort to combat COVID-19
- Peak COVID-19 impact on business activity levels in April with May improving and a marked increase in June which has continued into July
- Restore Records Management achieved a strong start to Q1 and a resilient Q2 performance:
    - Storage revenue up 1.5% with Net Box position unchanged in H1. Expect c.1% growth for the full year
    - Service revenue down as a result of lockdown restrictions although 'scan on demand' service for home workers well received
    - Property utilisation at 97% as site consolidation programme continued with new capacity expected in H2
- Restore Datashred affected by customer access restrictions and lower paper tonnages during April and May, activity increased appreciably in June. Recycled paper prices increased 35% during Q2 due to low levels of supply
- Restore Digital maintained majority of business at prior year level with H1 revenue gap due to the cancellation of the summer exam season
- Harrow Green delivered growth in Q1 but impacted by projects deferred from April and May, with June activity close to pre COVID-19 levels. London performance particularly strong
- Restore Technology delivered significant expansion in Q1 but experienced reduced collections during Q2. E-commerce sales were up over 50% in H1 and we continued to build our channel strategy with significant new contracts signed in Q2.

FINANCIAL HIGHLIGHTS

- Resilient financial performance in challenging conditions with encouraging increases in activity levels in May and June
- Strong start to the year with Q1 revenue up 2% and Q2 trading profitably, despite COVID-19 impact
- Effective operational and financial response to COVID-19, managing cost whilst preserving capability to recover strongly
- Revenue of £89.5m (H1 2019 £106.2m) and Adjusted Profit of £10.0m (H1 2019: £18.0m)
- Strong cash generation and fourth consecutive reporting period of net debt reduction, falling significantly by £14.6m during H1 to £73.9m
- Operational exceptional costs decreased from prior years to £0.1m in H1 as expected. (£0.4m including legacy share scheme)
- Statutory loss of -£3.1m after a non-cash asset impairment of £8.6, largely relating to goodwill arising on historic acquisitions and write down of legacy investment
- Balance sheet and liquidity remain strong and the Group is operating well within borrowing covenants
- Interim dividend not proposed at this time with the broader intent to restart dividends in 2021 alongside a continuing recovery.

FINANCIAL SUMMARY

	H1 2020	H1 2019	Change
Revenue	£89.5m	£106.2m	-16%
Adjusted Profit Before Tax*	£10.0m	£18.0m	-44%
Statutory (Loss) / Profit Before Tax**	-£3.1m	£12.0m	-126%
Adjusted EBITDA*	£27.4m	£34.7m	-21%
Net Debt	£73.9m	£95.0m	-22%
Adjusted Earnings Per Share	6.5p	11.8p	-45%

* Stated before amortisation, exceptional items and asset impairments and after the adoption of IFRS16
** Stated after non-cash impairment of £8.6m relating to intangible assets and investments

STRATEGIC OUTLOOK

The strength of Restore's business model has proven its resilience and strength during the COVID-19 pandemic while re-affirming the strategic growth opportunity in all the markets in which we operate.

Industry trends we have seen in the last 25 years of 1) Flexible working, 2) Businesses automating with digital processes, 3) Risk of data loss increasing and 4) Environmental awareness will likely accelerate in pace after the changes brought by COVID-19. All these business trends will be positive for Restore as we utilise our diversified business portfolio. We are exceptionally well placed with market leading positions to support customers to address these challenges.

Our strategy is unchanged as a result of COVID-19. Over time, the physical to digital services we provide customers as they transform their models as well as the data security we provide through Restore Datashred and Restore Technology will be in higher demand in an increasingly flexible office environment.

The markets we participate in are £1.8bn in size and were growing pre COVID-19 at 3% per year. We have an overall 11% share in these markets and from our leading #1 or #2 positions across our businesses we have significant opportunity to grow organically. In addition, we continue to see considerable value creation opportunities through consolidation of our fragmented markets and adding incremental capability to our offering. As a leader in each of our segments and with a strong financial and operational platform established, we are well placed to act as a consolidator and expect our investment activity to gather pace through the latter part of this year. We have continued to develop our acquisition pipeline, which is growing strongly, and we expect to have significant opportunities to choose the best companies to increase significantly shareholder value.

FULL YEAR 2020 OUTLOOK

The Group achieved a solid performance in H1 with a profitable trading performance in both Q1 and Q2 together with sustained cash generation.

Whilst there remains uncertainty over trading conditions in the coming months, we have improving confidence in the sales pipeline and project activity to underpin a stronger H2. With activity levels recovering we are seeing an immediate rise in enquiries across all business units. Assuming this improving trend continues, we expect that the underlying profit achievement in the second half will be higher than in H1. We would also anticipate that the Group will continue to generate cash during H2. The Company is weathering the COVID-19 crisis resiliently and is well placed to take advantage of the increased opportunities as they arise.

CHARLES BLIGH, CEO, commenting on the results and the outlook said:

“After a good start to the year I want to thank the whole team for the way they reacted quickly and safely to the onset of the pandemic. Throughout this period, we continued to deliver essential services to those on the front line in the fight against COVID-19 and other organisations which also support the economy to function effectively. The team moved quickly to reduce costs and preserve cash, but we also continued to selectively invest to ensure we retained operational capacity throughout the business for the recovery we are already starting to see.

“I am particularly pleased that we continued to win new business during Q2 which, alongside our strong financial position, means we are well placed to deliver on our organic growth strategy across the business as well as take advantage of market consolidation opportunities that may arise”.

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BUSINESS HIGHLIGHTS

After a very good 2019 we started the year strongly with Q1 revenue up 2% including the impact of COVID-19 in the last two weeks of March. Finishing H1 with revenues of £89.5m (H1 2019: £106.2m) and adjusted profits of £10.0m (H1 2019: £18.0m) was a good result considering the impact of the lockdowns during Q2. With tight cost control and a focus on cash we demonstrated the cash generative nature of the Company and have delivered a further reduction in net debt of £14.6m. We continued to pay suppliers in line with our ordinary terms to maintain a strong supplier base to allow us to continue to operate effectively for customers.

The management and staff have shown great commitment through this period and quickly adapted the working practices of the Group across over 75 sites to ensure safe working for staff and customers in line with the COVID-19 secure guidelines. Our overall Health & Safety incidents were at an all-time low during this period, demonstrating the excellent safety culture.

We experienced the peak COVID-19 impact in April, with May activity levels showing some improvement. June saw a marked increase in activity which has continued into July. The activity levels we are experiencing are well within the liquidity scenarios we set out earlier in the year and as such we have no cash concerns and have significant financial capacity.

As a result of the reduced activity levels, we made use of the Coronavirus Job Retention Scheme ("JRS"). At peak, the business had furloughed 47% of staff. We have already brought back 23% of the furloughed staff to meet our increasing levels of activity and at the end of July we only have 32% of staff furloughed. Our expectation is that this trend will continue, and that staff will continue to return from furlough during August and September in line with expected increases in activity.

As organisations across the UK adapted to new ways of working remotely, we expected, and saw, a reduced level of sales activity and customer switching. However, the Group has continued to win new business at healthy levels as well as secure a steady stream of contract renewals with existing customers across all business units. The new business activity levels increased sharply in June and July as customers started to focus on their priorities in H2 and 2021 which is encouraging.

Although significant acquisition activity had been paused in Q2, the business completed one small acquisition of a scanning business in early July which will be integrated into Restore Digital during Q3.

With a significant amount of people working remotely from home as a result of the COVID-19 restrictions, the subsequent discussion in the media and across business forums regarding the future of the office and working trends is highly relevant to Restore. Most business leaders have commented favourably on the continued operation of their business with high numbers of employees working from home. During Q2 Restore had over c.650 people working from home across a variety of roles. This has shown how effective and adaptable businesses can be but a key question is whether productivity and innovation can be sustained across all levels of an organisation over the long term with a remote and socially distanced working pattern. Our view is that flexibility will increase but that productivity and innovation will not be maintained at consistently high levels with people working in physical isolation over long periods. Our assumption is that there will be an accelerating evolution in the way we work which we welcome as an opportunity for Restore.

To put this in a wider context over the last 25 years, we have seen the following trends in the way we work:

1) Flexible working increasing, enabled by the internet;
2) Businesses automating with digital systems and processes for cost and speed;
3) Risk of data security increasing;
4) Increase in concern for the Environmental impact of businesses.

We believe that, in all likelihood, COVID-19 will accelerate the pace of these trends and that this will be very positive for Restore. Our diversified portfolio is well placed to address these challenges enabling businesses to be more digital in a secure and environmentally supportive way. We are already driving this thought leadership with our customers with the comprehensive portfolio of services we provide.

Our strategy is unchanged as a result of the pandemic and strong organic growth potential is still very much apparent. Additionally, in many of the markets we serve which are still fragmented in nature, there is increasing opportunity for us to acquire quality businesses to build our scale and capability.

Document Management

Our Document Management division comprises Restore Records Management, Restore Datashred and Restore Digital.

For the period the division achieved an adjusted operating profit of £15.2m (H1 2019: £22.5m) on turnover of £67.0 (H1 2019: £80.4m).

***Restore Records Management** – Revenue £43.7m down 8.5% yoy (H1 2019: £47.8m)*

There are two main sources of revenue in Records Management. These comprise storage revenues for storing Boxes, Files, Tapes and Heritage items and Service based revenues which occur when customers ask for file/box retrievals, cataloguing, refiling, destructions etc. During H1 storage revenues, which represent around 70% of Records Management revenues, grew by 1.5%. Revenues associated with services fell due to the application of Government restrictions, resulted in an 8.5% reduction overall in revenue in H1. The peak impact in service income was seen in April with May activity levels increasing and June activity levels 18% higher than May.

Due to restrictions, with fewer people in offices during Q2, customers increased their usage of our Scan On Demand service. This product facilitates a digital solution as an alternative to a physical delivery of a file or box to customers as we pick the file from the shelf and scan the documents at the warehouse, uploading files to our secure portal for the customer to access their records. We saw an increase in revenues in H1 associated with Scan On Demand and activated 23 new customers for this service. As a result, we expect to double our revenues for the full year as demand continues.

Net Box volume in H1 was flat which demonstrated the resilience of the business. As a result of the lockdown restrictions, we had fewer deliveries of new customer boxes won from competitors, although this was offset with a decline in destructions and 'perm outs'. We continued to win new business during Q2 with 165,000 boxes contracted with new customers and, with a strong pipeline, we expect to show growth in Net Box volume for the full year.

Due to strong cost control we maintained an operating profit margin in line with prior year levels.

We continued the property rationalisation strategy with the final closure of Beckton in January 2020 and started a site closure in Paddock Wood. Utilisation of the entire property estate was 97% at the end of H1 2020 which was an increase of 1% over the six months. Utilisation will decrease during H2 with the addition of capacity at Rainham (>700k box slots) and other existing sites. Rainham was intended to be ready in Q2 and was largely finished but due to the COVID-19 restrictions this is now expected to be fully operational in Q4 2020.

Restore Datashred *– Revenue £14.4m down 31% yoy (H1 2019: £21.0m)*

After a solid start in January and February, which saw activity levels in line with prior year, we experienced reduced activity as the restrictions were imposed from March. The impact was similar across the UK with activity levels in London reducing at broadly the same rate compared with depots serving the wider UK. All sites continued to operate safely with reduced staffing levels. Services to critical sectors were maintained throughout the period, in particular to the NHS and UK Government agencies.

After a 12 month decline in recycled paper prices, due to the lower supply of recycled paper and increasing demand for paper based hygiene products, we saw a 35% increase in recycled paper price delivered to UK paper mills.

Although customer switching reduced during the lockdown period, we continued to win new business, albeit at lower levels compared with the prior year, and we renewed three major contracts in Q2 worth over £3m per annum.

Customer re-activation started to increase gradually in May with a sharper increase in June which has continued into July. We have maintained operational capacity ahead of customer demand to ensure we can increase service provision for customers as they increase their activity levels. We will also introduce a new shredding service in Q3 to cater for the increase in homeworkers with a fully online ordering and billing system to address the data security needs of homeworking.

With the further strengthening of the management team and the investment in digital systems, this business unit is being significantly improved across operational and sales/marketing areas. This leaves the business well placed and with capacity to acquire and integrate new operations and bring scale benefit to Restore and further improvement in quality to customers.

Our strategy remains to win market share with organic growth and through acquisitions. The pipeline of acquisition opportunities is healthy and will likely increase as a result of the impact of COVID-19.

Restore Digital *– Revenue £8.9m down 23% yoy (H1 2019: £11.6m)*

After a strong start to the year in January and February we experienced reduced revenue during Q2 with the loss of work associated with the cancelled GCSE/A Level exams in the UK. Wider activity levels for customers were also impacted during April and May. However, excluding the cancelled exam summer session, the underlying business delivered revenue in line with the prior period, which was a strong result.

The business continued to win new work with two major contracts secured for the digitisation of medical records worth £1.5m. As a result of the rise in homeworking and the absence of people in offices to pick up physical mail, we saw a significant increase in the number of Digital Mailroom sales. Overall June sales activity increased to near normal activity which has continued into July.

With the expectation that our business will grow strongly in the future after the impact of COVID-19 has reduced, we are reviewing our operational site strategy to deliver a more cost effective operating model and to deliver an enhanced customer experience over time. We expect this to complete in H2 2020.

We completed a small scanning acquisition in early July and will complete the integration in Q3 2020.

Relocations

Our Relocations division comprises Restore Harrow Green, the UK market leader in office relocation and Restore Technology which is a market leading business in IT Lifecycle Services. IT Lifecycle Services comprise three specialist areas:

1) Recycling of IT equipment safely and securely;
2) Early life implementation of IT hardware;
3) IT Relocation – specialising in server and data centre relocation, as well as IT moves, equipment installation and deployment.

For the period the division achieved an operating profit of £1.1m (H1 2019: £2.5m) on turnover of £22.5m (H1 2018: £25.8m).

Restore Harrow Green *– Revenue £15.0m down 24% yoy (H1 2019: £19.7m)*

Restore Harrow Green started the year strongly with revenue up 7% in January and February. However, as a result of severe disruption in Q2 due to the impact of COVID-19, H1 revenue was down 24%. Although initial operational challenges were significant, processes were quickly adapted and during May and June, activity significantly improved.

The business supported customers in providing a substantial amount of work to reconfigure offices (including hospitals) still open to be COVID-19 secure and also setup thousands of homeworking desks for customers. Our storage revenues in Harrow Green remained strong.

The business was particularly proud to support the NHS and UK Government with front line transportation throughout the period.

Activity levels increased sharply in June to be near normal levels particularly in London. We continued to win new customers and were delighted to secure three large new clients with £1m pa revenues which were previously long standing customers of our competitors. The pipeline of projects is building with projects deferred from H1 coming through and with companies reviewing their office space requirements we will see continual work re-configuring offices to be COVID-19 secure.

Restore Technology *– Revenue £7.5m up 23% yoy (H1 2019: £6.1m)*

Revenue grew strongly by 23% year on year for the period despite the impact in Q2 of decreased customer collections due to the lockdown restrictions. Partially offsetting collection revenues, we experienced a substantial increase in early life installation services with companies investing to be COVID-19 secure at work but also enabling home working. We achieved a 50% increase in e-commerce sales which was growing in Q1 on the back of a rebranding project and further investments, but we also experienced an increase in demand and resale values for laptop and equipment to use at home.

The strategy outlined in 2019 was to increase our share in the IT channel. During Q2 we were successful in signing and onboarding two large IT companies, a top 5 Global IT supplier and a large UK focussed IT Reseller to provide end of life technology recycling. The new customers provide exposure to both the consumer and corporate markets which we anticipate will start to deliver volume in the H2. In addition to these new customers, we secured a contract extension from an existing customer with £2m per annum revenues.

Although processing of IT recycling decreased in Q2, it is expected a high proportion of this activity is deferred rather than lost. In addition, it is our expectation that businesses and organisations will be looking to use technology to reduce costs and enable a more flexible workforce as we emerge from the first wave of COVID-19. As such, anticipating this increasing technology demand, we will be well placed to help businesses install and manage the new assets and securely destroy or re-use legacy technology in an environmentally sustainable way.

We see substantial opportunity for Restore as an independent provider, not linked to specific hardware technology and brands to grow share organically but in a fragmented market there are substantial acquisition opportunities to grow scale and capability.

FINANCIAL PERFORMANCE

Financial overview and impact of COVID-19

Restore delivered a solid financial result for the six months to 30 June 2020, with trading profitable throughout the whole period and net debt reduced by a further £14.6m, demonstrating financial resilience in challenging circumstances.

The Group delivered revenues of £89.5m (H1 2019: £106.2m) and an adjusted profit of £10.0m (2019: £18.0m). Strong liquidity was maintained and positive cashflows resulted in a fourth reporting period of net debt reduction.

In Q1, the business showed year on year revenue growth and was in line with management's expectation for continued revenue and margin expansion for the year. Following the imposition of the lockdown across the UK in March, the business continued to operate profitably throughout the second quarter, although revenues and margins were at a lower level than in 2019.

Whilst reduced levels of activity impacted revenues in some of the Group's business segments during Q2, the contracted and recurring nature of revenues, particularly storage income in Records Management, has provided a very solid financial base for the business.

In addition, management's swift action and ability to rapidly adapt cost to changed activity levels reduced the impact of lower revenue whilst capacity has been preserved for the anticipated improvement in activity as restrictions are eased.

As a result of COVID-19, management have reviewed the accounting valuation of intangible assets and a legacy investment in a former subsidiary disposed of during 2018.

As a result of this review, a non-cash impairment of £7.0m has been charged to the income statement in relation to the valuation of intangible assets. The impairment results from the Group's method and application of IAS36, Impairment of Assets and is the effect of a reduced 2020 revenue outlook and its subsequent impact of succeeding years within the model and further details are set out in Note 8. This does not indicate a change in the Board's continued confidence in the Restore's portfolio of businesses.

In addition, management have reviewed the valuation of a legacy 40% interest in a non-core business. As a result of this review, a non-cash investment write-down of £1.6m, representing 100% of the investment value has been charged to the income statement.

Restore's underlying quality of cash based earnings, ability to flex cost in line with activity and effective financial management leaves the business in good financial condition at the end of H1.

Income Statement

Restore performed well in Q1 with revenue and margin expansion in line with management's expectations of growth for 2020.

Following the imposition of COVID-19 related restrictions in the second part of March, reduced access to some customers offices resulted in lower activity levels in several the Group's businesses.

The revenue achieved of £89.5m (H1 2019: £106.2m) reflects this COVID-19 impact and is most apparent in Restore Datashred (-31%) and Harrow Green (-24%). In Restore Digital, the cancellation of the summer exam scanning season represents the majority of the gap to last year's revenue levels for the same period (-23%) although underlying revenue is flat year on year.

Restore Technology, which saw a strong start, reflecting the scale up of the business following the acquisition of SITD during 2019, slowed in Q2 as reduced access to customer premises resulted in less IT equipment to process. Whilst e-commerce sales were strong and growing quickly, the reduced activity levels in Q2 led to lower processing revenues although the business was +23% for the period. It is anticipated that a high proportion of the IT equipment not processed during Q2 will become available in future periods.

The effect of reduced activity as a result of COVID-19 on revenues was most apparent in April and the Group experienced a gradual improvement in activity levels in May and June.

Throughout the whole period, storage income in Restore Records Management was unaffected and was up 1.5% year on year, and although service income initially fell in April this has been gradually improving month on month.

Despite the reduction in income, the Group's traded profitably across the whole period with lower revenues alleviated through cost mitigation actions that included reduced agency workers, furloughing of staff under the JRS scheme, reduction of transport and other costs in line with lower activity levels. In broad terms, the Group has been able to offset c.50% of the reduction in revenue through rapid cost adjustment although management have been conscious to preserve business capacity.

The adjusted profit for the period was £10.0m (H1 2019: £18.0m) with adjusted earnings per share of 6.5p (H1 2019:11.8p).

As described in the financial overview and expanded further in Note 8, as a result of the expectation of lower revenues than planned for 2020, management have re-examined the forecast assumptions used in their modelling of intangible asset valuation. As a result of this analysis, management have impaired the value of intangible assets by 2.7%, with a resulting non-cash charge of £7.0m included in the income statement.

In addition, the Group holds a 40% interest in a non-core ink toner cartridge recycling business that resulted from a previous disposal. This has been historically held at £1.6m on the Groups balance sheet. Following assessment of the likely income arising from this investment and the net assets of that business, management have written down the value of the investment to zero with a subsequent charge of £1.6m to the income statement.

The statutory loss before tax of -£3.1m reflects these non-cash charges which total £8.6m and the statutory result would have been £5.5m excluding these accounting adjustments. This compares to £12.0m for the same period in 2019.

Adjusted profit items

Due to the one-off nature of exceptional costs and the non-cash nature of certain charges, the Directors believe that an adjusted measure of profit before tax and earnings per share provides shareholders with a useful representation of underlying earnings from the Group's business.

The adjusting items in arriving at the underlying adjusted profit before tax are as follows:

	H1 2020 £m	H1 2019 £m	Change
Exceptional items	-0.4	-2.0	80%
Amortisation of intangible assets and software	-4.1	-4.0	-2%
Impairment of intangible assets	-7.0	-0.0	-
Write down in investment value	-1.6	-0.0	-
Total adjusting items	-13.1	-6.0	-118%

Amortisation is non-cash in nature and as such is excluded in arriving at the presentation of an adjusted profit measure. The impairment of intangible assets and write-down of the investment value are also non-cash and one-off in nature. The exceptional items are generally one-off and related to acquisitions or the run-off of legacy share schemes and are further described below.

Exceptional items

Exceptional items of £0.4m are less than experienced in the prior year due to lower levels of acquisition activity. The majority of the cost in H1 2020 relates to tax costs arising on the exercise of legacy share options. As such, in the absence of significant acquisition activity, the operational exceptional costs are very low for H1 2020.

	H1 2020 £m	H1 2019 £m	Change
Acquisition related costs	0.1	1.8	94%
National Insurance on exercise of historic share options	0.3	0.2	-50%
Total adjusting items	0.4	2.0	80%

Debt and liquidity

Restore generated cash during the period and reduced net debt by £14.6m from £88.5m at 31 December 2019 to £73.9m at 30 June 2020.

This is the fourth reporting period of net debt reduction and is due to strong positive operating cashflow of £36.4m less financing costs of £4.4m, tax of £5.3m, Capex investment of £3.6m and the principal element of lease payments of £8.3m. This is a very strong performance and illustrative of the cash generative nature of the business. The result benefitted from some working capital unwind in H1 as debtors reduced and a proportion of this is expected to reverse in H2.

Although net debt reduced substantially, the pre-IFRS16 pro-forma leverage of the Group increased from 1.6x at 31 December 2019 to 1.7x at 30 June 2020. This is the result of the lower EBITDA achieved in Q2 2020 in comparison to the same period in 2019 and its effect on the rolling proforma EBITDA used in the calculation of the leverage ratio. This effect on the leverage calculation is anticipated to continue into 2021. Normalising 2020 Q2 EBITDA performance to 2019 levels, leverage would have reduced further to 1.5x at 30 June 2020.

The Group continues to be financed through cash generated from operating activities and access to a multi-bank revolving credit facility of £160.0m which continues until March 2023. The Group has significant headroom in the facility and continues to operate well within the borrowing covenants set out in the facility agreement.

Statement of financial position

The Group's balance sheet is strong with a liquidity ratio of current assets to current liabilities, excluding cash, of 1.1 (2019: 1.1).

Trade receivables have fallen in line with revenue with no bad debt experienced during the period illustrating the quality of our customer base and the significant proportion of the public sector and FTSE100 customers.

Assets and liabilities in relation IFRS16 have moved during the period in line with expectation with a reduction of £4.0m on the right of use asset value and a reduction of £3.3m in the IFRS16 lease liability position.

As noted above, net debt continues to fall with drawn debt of £103.0m at the period close (H1 2019: £115.3m) from the RCF of £160.0m and cash of £28.4m (£20.0m). A higher than ordinary cash position has been maintained through Q2 as a precautionary measure.

Dividend

Although the Group has maintained a strong financial position, given the ongoing uncertainty regarding the duration of the COVID-19 outbreak, the Board is not declaring an interim dividend at this time. We will continue to keep the position under review but our intention would be to restart dividends in 2021 in line with a broader economic recovery and reduction in uncertainty surrounding COVID-19.

Change in alternative performance measures

As set out in the full year results update in March 2020, the Group adopted IFRS 16 during 2019 and changed the policy on alternative performance such that the ongoing cost of share based payments are no longer an item within the adjusted profit measure.

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2020

	Note	Unaudited six months ended 30 June 2020 £'m	Unaudited six months ended 30 June 2019 £'m	Audited year ended 31 December 2019 £'m
Revenue - continuing operations	2	89.5	106.2	215.6
Cost of sales		(53.3)	(59.9)	(120.3)
Gross profit		36.2	46.3	95.3
Administrative expenses		(21.7)	(23.5)	(50.1)
Amortisation of intangible assets	8	(4.1)	(4.0)	(8.1)
Impairment of intangible assets	8	(7.0)	-	-
Impairment of investment	8	(1.6)	-	-
Exceptional items	3	(0.4)	(2.0)	(2.7)
Operating profit		1.4	16.8	34.4
Finance costs		(4.5)	(4.8)	(9.6)
(Loss)/profit before tax	2	(3.1)	12.0	24.8
Income tax charge	4	(1.8)	(2.3)	(7.9)
(Loss)/profit and total comprehensive income for the period from continuing operations		(4.9)	9.7	16.9
(Loss) from discontinued operations		-	(0.2)	(0.2)
(Loss)/profit attributable to owners of the parent		(4.9)	9.5	16.7
(Loss)/earnings per share attributable to owner of the parent (pence)				
Total				
- Basic	5	(3.9p)	7.6p	13.4p
- Diluted	5	(3.8p)	7.5p	12.9p
Continuing Operations				
- Basic	5	(3.9p)	7.8p	13.6p
- Diluted	5	(3.8p)	7.7p	13.1p
Discontinued operations				
- Basic	5	-	(0.2p)	(0.2p)
- Diluted	5	-	(0.2p)	(0.2p)

The reconciliation between the statutory results shown above and the non-GAAP adjusted measures are shown below:

Operating profit – continuing operations		1.4	16.8	34.4
Adjustments for:				
Amortisation of intangible assets	2	4.1	4.0	8.1
Impairment of intangible assets	2	7.0	-	-
Impairment of investment	2	1.6	-	-
Exceptional items	3	0.4	2.0	2.7
Adjustments		13.1	6.0	10.8
Adjusted operating profit		14.5	22.8	45.2
Depreciation of property, plant and equipment	7	12.9	11.9	24.8
Earnings before interest, taxation, depreciation, amortisation and exceptional items (EBITDA)		27.4	34.7	70.0
(Loss)/profit before tax		(3.1)	12.0	24.8
Adjustments (as stated above)		13.1	6.0	10.8
Adjusted profit before tax		10.0	18.0	35.6

Condensed Consolidated Statement of Financial Position

At 30 June 2020

	Note	Unaudited 30 June 2020 £'m	Unaudited 30 June 2019 £'m	Audited 31 December 2019 £'m
ASSETS				
Non-current assets				
Intangible assets	8	246.8	260.4	257.5
Property, plant and equipment		71.0	71.7	71.8
Right of use assets	9	111.1	115.8	115.1
Investment	8	-	1.6	1.6
Deferred tax asset		3.5	4.6	3.8
		432.4	454.1	449.8
Current assets				
Inventories		1.1	1.2	1.4
Trade and other receivables		40.3	51.3	47.9
Cash and cash equivalents	10	28.4	20.0	17.0
		69.8	72.5	66.3
Total assets		502.2	526.6	516.1
LIABILITIES				
Current liabilities				
Trade and other payables		(35.9)	(46.5)	(35.5)
Financial liabilities – borrowings	10	-	(0.7)	(0.4)
Financial liabilities – lease liabilities		(17.3)	(16.9)	(16.6)
Other financial liabilities		(0.1)	(0.2)	-
Current tax liabilities		(0.4)	(1.9)	(3.9)
Provisions		-	(0.8)	-
		(53.7)	(67.0)	(56.4)
Non-current liabilities				
Financial liabilities – borrowings	10	(102.3)	(114.3)	(105.1)
Financial liabilities – lease liabilities		(113.7)	(116.6)	(117.7)
Other financial liabilities		-	(0.2)	-
Deferred tax liabilities		(18.4)	(17.2)	(18.4)
		(234.4)	(248.3)	(241.2)
Total liabilities		(288.1)	(315.3)	(297.6)
Net assets		214.1	211.3	218.5
EQUITY				
Share capital		6.2	6.2	6.2
Share premium account		150.3	150.3	150.3
Other reserves		6.4	4.6	6.1
Retained earnings		51.2	50.2	55.9
Equity attributable to owners of parent		214.1	211.3	218.5

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2020

	Attributable to owners of the parent				
	Share capital £'m	Share premium £'m	Other reserves £'m	Retained earnings £'m	Total equity £'m
Balance at 1 January 2019	6.2	150.3	3.8	45.7	206.0
Profit for the period	-	-	-	9.5	9.5
Total comprehensive income for the period	-	-	-	9.5	9.5
Transactions with owners					
Dividends	-	-	-	(5.0)	(5.0)
Share-based payments charge	-	-	0.6	-	0.6
Deferred tax on share-based payments	-	-	0.2	-	0.2
Balance at 30 June 2019 (unaudited)	6.2	150.3	4.6	50.2	211.3
Balance at 1 July 2019	6.2	150.3	4.6	50.2	211.3
Profit for the period	-	-	-	7.2	7.2
Total comprehensive income for the period	-	-	-	7.2	7.2
Transactions with owners					
Dividends	-	-	-	(3.0)	(3.0)
Transfers	-	-	(0.7)	0.7	-
Share-based payments charge	-	-	1.5	-	1.5
Deferred tax taken directly to equity	-	-	-	0.8	0.8
Deferred tax on share- based payments	-	-	0.4	-	0.4
Current tax on share-based payments	-	-	0.3	-	0.3
Balance at 31 December 2019 (audited)	6.2	150.3	6.1	55.9	218.5
Balance at 1 January 2020	6.2	150.3	6.1	55.9	218.5
Loss for the period	-	-	-	(4.9)	(4.9)
Total comprehensive income for the period	-	-	-	(4.9)	(4.9)
Transactions with owners					
Dividends	-	-	-	-	-
Transfers	-	-	(0.2)	0.2	-
Share-based payments charge	-	-	0.9	-	0.9
Deferred tax on share-based payments	-	-	(0.4)	-	(0.4)
Balance at 30 June 2020 (unaudited)	6.2	150.3	6.4	51.2	214.1

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Note	Unaudited six months ended 30 June 2020 £'m	Unaudited six months ended 30 June 2019 £'m	Audited year ended 31 December 2019 £'m
Net cash generated from operations	7	36.4	37.6	71.3
Net finance costs		(4.4)	(4.2)	(8.7)
Income taxes paid		(5.3)	(3.3)	(5.7)
Net cash generated from operating activities		26.7	30.1	56.9
Cash flows from investing activities				
Purchase of property, plant and equipment and applications software	2	(3.6)	(4.8)	(9.0)
Purchase of subsidiary, net of cash acquired		-	(1.9)	(2.2)
Purchase of trade and assets		-	-	(0.6)
Proceeds from sale of property, plant and equipment		-	-	0.2
Disposal of subsidiary, net of cash disposed		-	-	(0.2)
Cash flows used in investing activities		(3.6)	(6.7)	(11.8)
Cash flows from financing activities				
Dividends paid		-	-	(8.0)
Repayment of revolving credit facility		(3.0)	(8.0)	(17.4)
Principal element of lease repayments		(8.3)	(7.3)	(14.3)
Net cash used in financing activities		(11.3)	(15.3)	(39.7)
Net increase in cash and cash equivalents		11.8	8.1	5.4
Cash and cash equivalents at start of period		16.6	11.2	11.2
Cash and cash equivalents at the end of period	10	28.4	19.3	16.6
Cash and cash equivalents shown above comprise:				
Cash at bank		28.4	20.0	17.0
Bank overdraft		-	(0.7)	(0.4)
	10	28.4	19.3	16.6

Notes to the Consolidated Interim report

For the six months ended 30 June 2020

1 Basis of Preparation

The half year report has been prepared in accordance with IAS 34, Interim Financial Reporting, adopting accounting policies that are consistent with those of the previous financial year and corresponding half year reporting period,

2 Segmental Analysis

The Group is organised into two main operating segments, Document Management and Relocation and incurs Head Office costs. Services per segment operate as described in the business review. The vast majority of trading of the Group is undertaken within the United Kingdom. Segment assets include intangibles, property, plant and equipment, inventories, receivables and operating cash. Central assets include deferred tax and head office assets. Segment liabilities comprise operating liabilities. Central liabilities include income tax and deferred tax, corporate borrowings and head office liabilities. Capital expenditure comprises additions to computer software, property, plant and equipment and includes additions resulting from acquisitions through business combinations. Segment assets and liabilities are allocated between segments on an actual basis.

Revenue

The revenue from external customers was derived from the Group's principal activities primarily in the UK (where the Company is domiciled) as follows:

Continuing operations	Unaudited 30 June 2020 £'m	Unaudited 30 June 2019 £'m	Audited 31 December 2019 £'m
Restore Records Management	43.7	47.8	95.9
Restore Datashred	14.4	21.0	41.0
Restore Digital	8.9	11.6	22.6
Document Management division	67.0	80.4	159.5
Restore Harrow Green	15.0	19.7	41.5
Restore Technology	7.5	6.1	14.6
Relocation division	22.5	25.8	56.1
Total revenue	89.5	106.2	215.6

Segmental information

Profit before tax	Unaudited 30 June 2020 £'m	Unaudited 30 June 2019 £'m	Audited 31 December 2019 £'m
Document Management division	15.2	22.5	45.1
Relocation division	1.1	2.5	7.7
Head office	(1.8)	(2.2)	(7.6)
Amortisation of intangible assets	(4.1)	(4.0)	(8.1)
Impairment of intangible assets	(7.0)	-	-
Impairment of investment	(1.6)	-	-
Exceptional items	(0.4)	(2.0)	(2.7)
Operating profit	1.4	16.8	34.4
Finance costs	(4.5)	(4.8)	(9.6)
(Loss)/profit before tax	(3.1)	12.0	24.8

	Document Management £'m	Relocation £'m	Head Office £'m	Unaudited 30 June 2020 Total £'m
Segment assets	417.5	69.5	15.2	502.2
Segment liabilities	159.1	31.2	97.8	288.1
Capital expenditure	3.3	0.3	-	3.6
Depreciation and amortisation	15.0	2.0	-	17.0
				Unaudited 30 June 2019
Segment assets	449.3	74.6	2.7	526.6
Segment liabilities	152.9	29.1	133.3	315.3
Capital expenditure	4.5	0.1	0.2	4.8
Depreciation and amortisation	14.3	1.6	-	15.9

				Audited 31 December 2019
Segment assets	447.2	68.8	0.1	516.1
Segment liabilities	164.5	31.1	102.0	297.6
Capital expenditure	7.8	1.0	0.2	9.0
Depreciation and amortisation	29.2	3.6	0.1	32.9

3 Exceptional items

For the six months ended 30 June 2020, exceptional costs were £0.4m (including restructuring costs of £0.1m and £0.3m of other exceptional costs; being National Insurance on exercise of share options) (2019: exceptional costs £2.0m (including restructuring costs of £1.8m and £0.2m of other exceptional costs). In the year ended 31 December 2019, £2.7m of exceptional costs were incurred (acquisition transaction costs £0.1m, acquisition related restructuring costs £2.3m and other exceptional costs £0.3m.

4 Taxation

The underlying tax charge is based on the expected effective tax rate for the full year to 31 December 2020 of 18.25%. It is anticipated that the tax charge in the current period will be £1.8m.

5 Earnings per ordinary share

Basic earnings per share have been calculated on the profit for the period after taxation and the weighted average number of ordinary shares in issue during the period.

	Unaudited six months ended 30 June 2020	Unaudited six months ended 30 June 2019	Audited year ended 31 December 2019
Weighted average number of shares in issue	124,872,300	123,979,321	124,164,022
Total (loss)/profit for the period	(£4.9m)	£9.5m	£16.7m
Total basic (loss)/earnings per ordinary share	(3.9p)	7.6p	13.4p
Weighted average number of shares in issue	124,872,300	123,979,321	124,164,022
Share options	4,957,992	2,274,096	5,097,959
Weighted average fully diluted number of shares in issue	129,830,292	126,253,417	129,261,981
Total fully diluted (loss)/earnings per share	(3.8p)	7.5p	12.9p
Continuing (loss)/profit for the period	(£4.9m)	£9.7m	£16.9m
Continuing basic (loss)/earnings per share	(3.9p)	7.8p	13.6p
Continuing fully diluted (loss)/earnings per share	(3.8p)	7.7p	13.1p
Discontinued loss for the period	-	(£0.2m)	(£0.2m)
Discontinued basic loss per share	-	(0.2p)	(0.2p)
Discontinued fully diluted loss per share	-	(0.2p)	(0.2p)

Adjusted earnings per share

The Directors believe that adjusted earnings per share provide a more appropriate representation of the underlying earnings derived from the Group's business. The adjusting items are shown in the table below:

	Unaudited six months ended 30 June 2020 £'m	Unaudited six months ended 30 June 2019 £'m	Audited year ended 31 December 2019 £'m
Continuing (loss)/profit before tax	(3.1)	12.0	24.8
Adjustments:			
Amortisation of intangible assets	4.1	4.0	8.1
Impairment of intangible assets	7.0	-	-
Impairment of investment	1.6	-	-
Exceptional items	0.4	2.0	2.7
Adjusted continuing profit for the period	10.0	18.0	35.6

The additional adjusted earnings per share, based on weighted average number of shares in issue during the period, 124.9m (2019: 124.0m) is calculated below:

	Unaudited Six months ended 30 June 2020	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019
Adjusted profit before tax (£'m)	10.0	18.0	35.6
Tax at 18.5%/19.0%/19.0% (£'m)	(1.9)	(3.4)	(6.8)
Adjusted profit after tax (£'m)	8.1	14.6	28.8
Adjusted basic earnings per share	6.5p	11.8p	23.2p
Adjusted fully diluted earnings per share	6.2p	11.6p	22.3p

6 Dividends

In respect of the current period, the Directors do not propose an interim dividend at this time given the ongoing uncertainty due to the duration of the COVID-19 outbreak. The Directors' current intention would be to restart dividends in 2021 (2019: 2.4p). The estimated dividend to be paid is £'nil (2019: £3.0m).

7 Cash inflow from operations

	Unaudited six months ended 30 June 2020 £'m	Unaudited six months ended 30 June 2019 £'m	Audited year ended 31 December 2019 £'m
Continuing operations			
(Loss)/profit before tax	(3.1)	12.0	24.8
Depreciation of property, plant and equipment	12.9	11.9	24.8
Amortisation of intangible assets	4.1	4.0	8.1
Impairment of intangible assets	7.0	-	-
Impairment of investment	1.6	-	-
Net finance costs	4.5	4.8	9.5
Share-based payments (credit)/charge	(0.2)	0.6	3.8
Decrease/(increase) in inventories	0.3	0.1	(1.0)
Decrease/(increase) in trade and other receivables	7.8	(1.7)	1.0
Increase in trade and other payables	1.5	5.9	0.5
Net cash generated from operating activities	36.4	37.6	71.5
Net cash used by operating activities – discontinued operations	-	-	(0.2)
Net cash generated from continuing operations	36.4	37.6	71.3

8 Intangible assets

	Goodwill £'m	Customer relationships £'m	Trade names £'m	Applications software & IT £'m	Total £'m
Cost					
1 January 2019	163.4	124.0	4.3	5.0	296.7
Arising on acquisition of subsidiaries	0.7	1.3	-	-	2.0
Additions - external	-	-	-	0.5	0.5
30 June 2019	164.1	125.3	4.3	5.5	299.2
1 July 2019	164.1	125.3	4.3	5.5	299.2
Arising on acquisition of trade and assets	-	0.6	-	-	0.6
Additions - external	-	-	-	0.6	0.6
31 December 2019	164.1	125.9	4.3	6.1	300.4
1 January 2020	164.1	125.9	4.3	6.1	300.4
Additions - external	-	-	-	0.4	0.4
30 June 2020	164.1	125.9	4.3	6.5	300.8
Accumulated amortisation and impairment					
1 January 2019	10.6	19.4	1.9	2.9	34.8
Charge for the period	-	3.5	0.1	0.4	4.0
30 June 2019	10.6	22.9	2.0	3.3	38.8
1 July 2019	10.6	22.9	2.0	3.3	38.8
Charge for the period	-	3.5	0.2	0.4	4.1
31 December 2019	10.6	26.4	2.2	3.7	42.9
1 January 2020	10.6	26.4	2.2	3.7	42.9
Charge for the period	-	3.5	0.2	0.4	4.1
Impairment	7.0	-	-	-	7.0
30 June 2020	17.6	29.9	2.4	4.1	54.0
Carrying amount					
30 June 2020 – Unaudited	146.5	96.0	1.9	2.4	246.8
31 December 2019 - Audited	153.5	99.5	2.1	2.4	257.5
30 June 2019 - Unaudited	153.5	102.4	2.3	2.2	260.4

Impairment of Goodwill

The Group applies IAS36 in relation to intangible asset valuation. As a result of COVID-19, management have reviewed the accounting valuation of intangible assets at the end of the period.

The key feature of the valuation assessment is the estimation of future income, discounted at an appropriate discount factor, to arrive at a value in use that may be compared to the intangible asset carrying value.

The future income estimate is based upon a prudent, medium-term baseline forecast together with a terminal value in perpetuity. As such, the model is sensitive to changes in terminal value or changes to discount rate.

Due to the impact of COVID-19, the revenue projections for 2020 within the model have been reduced and a prudent , baseline view taken in relation to Restore Datashred revenues.

As a result of this review, a non-cash impairment of £7.0m has been charged to the income statement in relation to the Goodwill arising on the acquisition of the business of Datashred from PHS in 2018. No impairments were considered necessary in relation to the Group's other intangible assets.

This impairment does not indicate a change in the Board's continued confidence in the Restore's portfolio of businesses.

Impairment of investment

The Group holds a 40% stake in Ink and Toner Recycling Limited, a printer cartridge business. During the period, due to uncertainty of recoverability of the investment due to current economic environment, an impairment provision of £1.6m has been recognised.

9 Right of use assets

	Leasehold Property £'m	Office equipment, fixtures and fittings £'m	Motor Vehicles £'m	Total £'m
Cost				
1 January 2019	110.2	0.7	9.4	120.3
Additions	1.8	-	1.9	3.7
30 June 2019	112.0	0.7	11.3	124.0
1 July 2019	112.0	0.7	11.3	124.0
Additions	4.5	0.1	3.7	8.3
Disposals	(0.1)	-	-	(0.1)
31 December 2019	116.4	0.8	15.0	132.2
1 January 2020	116.4	0.8	15.0	132.2
Additions	2.4	0.3	2.5	5.2
Disposals	(0.1)	-	(0.1)	(0.2)
30 June 2020	118.7	1.1	17.4	137.2
Accumulated depreciation				
1 January 2019	-	-	-	-
Charge for the period	6.4	0.3	1.5	8.2
30 June 2019	6.4	0.3	1.5	8.2
1 July 2019	6.4	0.3	1.5	8.2
Charge for the period	6.9	0.3	1.7	8.9
31 December 2019	13.3	0.6	3.2	17.1
1 January 2020	13.3	0.6	3.2	17.1
Charge for the period	6.9	0.2	1.9	9.0
30 June 2020	20.2	0.8	5.1	26.1
Net book value				
30 June 2020 – Unaudited	98.5	0.3	12.2	111.1
31 December 2019 - Audited	103.1	0.2	11.8	115.1
30 June 2019 – Unaudited	105.6	0.4	9.8	115.8

10 Financial liabilities - borrowings

	Unaudited 30 June 2020 £'m	Unaudited 30 June 2019 £'m	Audited 31 December 2019 £'m
Current			
Bank loans and overdrafts	-	0.7	0.4
Deferred financing costs	-	-	-
	-	0.7	0.4
Non-current			
Bank loans – secured	103.0	115.3	106.0
Deferred financing costs	(0.7)	(1.0)	(0.9)
	102.3	114.3	105.1

Analysis of net debt

Cash at bank and in hand	28.4	20.0	17.0
Bank loans due within one year	-	(0.7)	(0.4)
Bank loans due after one year	(102.3)	(114.3)	(105.1)
	(73.9)	(95.0)	(88.5)

11 Post balance sheet events

On 1 July 2020, the Group acquired the trade and assets of Complete Scanning Limited, a digital business for initial cash consideration of £150,000, and deferred consideration of £100,000 due on 1 January 2021. The Group is in the process of establishing the fair value of the assets acquired.

ENDS