RNS Number : 3135Z
Knights Group Holdings PLC
11 January 2024

Knights Group Holdings plc

("Knights" or the "Group")

Half Year Results

Strong profit growth with a return to organic growth; in line with expectations

Knights, a fast-growing legal and professional services business in the UK, today announces its half year results for the six months ended 31 October 2023.

Financial highlights

- Revenue up 6% to £75.3m (H1 FY23: £71.2m), in line with Board expectations
- Strong growth in underlying EBITDA[1] of 25% to £18.2m (H1 FY23: £14.6m)
- Reported profit before tax increased by 68% to £6.9m (H1 FY23: £4.1m)
- Basic underlying EPS[2] up 21% to 9.99p (H1 FY23: 8.26p); reported Basic EPS up 54% to 5.34p (H1 FY23: 3.46p)
- Debtor days improved to 31 (H1 FY23: 32); lock up[3] improved to 93 days (H1 FY23: 103 days)
- Good cash conversion[4] of 69% (H1 FY23: 57%)
- Net debt[5] of £38.3m, (H1 FY23: £35.6m, FY23: £29.2m) after a cash outlay of c.£7.5m relating to acquisition consideration and related non underlying costs
- Interim dividend 1.61p per share (H1 FY23: 1.53p per share)

Strategic and operational highlights

Leveraging our increased scale, strong reputation and differentiated model

- 20 senior fee earners hired in the period, up from nine in H1 FY23
- Significant reduction in staff churn from 11% to 6%
- Grown share of larger client spend
- Pricing strategy embedded, with clients recognising the strong value of our premium service
- Continued cost discipline, leveraging post-acquisition synergies and driving efficiencies across the Group

Acquisitions providing a platform for organic growth

- Expanded presence in the North, with acquisitions of St James' Law in Newcastle and Baines Wilson in Carlisle which have integrated well and are performing as expected
- Acquisitions providing excellent platforms for organic growth through recruitment; five partners already hired into each of Bristol (entered Feb 2023) and Newcastle (entered May 2023)

Board changes

- Appointment of Dave Wilson as non-executive Chairman, bringing extensive PLC, international board-level and operational experience

Current trading and outlook

- Trading continuing in line with the Board's expectations
- New £70m revolving credit facility agreed in November 2023
- Confident in the resilience of the business and its ability to attract and retain quality talent and clients, despite macroeconomic pressures
- Focussing on driving organic growth, efficiencies and strengthening platform for future acquisitions

David Beech, CEO of Knights, commented:

"Knights has delivered a good performance in the period, reflecting our sharp focus on driving profitability and organic growth and the resilience provided by our diversified services, capabilities, and client base.

"We are delighted with the strong momentum in recruitment and retention in the half, which is testament to the attractiveness of our scale, reputation and model, the efforts of our client service directors, and enhancements we have made to our employee proposition, benefits and engagement. Together with improved retention across the business, this influx of high-calibre talent will underpin organic growth in the future.

"We continue to expand our relationships with larger clients who increasingly recognise the benefits of Knights' premium, diversified offering and collaborative, corporatised model.

"Whilst mindful of macroeconomic conditions, trading in the second half is in line with the Board's expectations and we continue to focus on driving organic growth and efficiency, providing a strong platform for future acquisitions."

A presentation of the results will be made to analysts and investors at 9.00am this morning. To register for access, or for any other enquiries, please contact MHP Group on: Knights@mhpgroup.com.

[1] *Underlying EBITDA is operating profit before depreciation, amortisation and non-underlying items (including non-underlying share based payment expenses).*

[2] *Underlying PBT is before amortisation of acquired intangibles, non-underlying costs relating to acquisitions, non-recurring finance*

costs, restructuring costs in the reporting period, and non-underlying share based payments. Underlying EPS excludes these items and the tax related to these items. The Board believes that these underlying figures provide a more meaningful measure of the Group's underlying performance.

3 *Lock up is calculated as the combined debtor and WIP days as at a point in time. Debtor days are calculated on a count back basis using the gross debtors at the period end and compared with total fees raised over prior months. WIP days are calculated based on the gross work in progress (excluding that relating to clinical negligence claims, insolvency, and ground rents, as these matters operate mainly on a conditional fee arrangement and a different profile to the rest of the business) and calculating how many days billing this relates to, based on average fees (again excluding clinical negligence claims, insolvency, and ground rents fees) per month for the last 3 months. Lock up days excludes the impact of acquisitions in the last quarter of the reporting period.*

4 *Cash conversion is calculated as the total of net cash from operations, tax paid and payments of lease interest and lease finance liabilities under IFRS 16, divided by the underlying profit after tax, which is calculated from profit after tax by adding back amortisation of acquired intangibles, non-underlying costs relating to acquisitions, non-recurring finance costs, restructuring costs in the reporting period, and non-underlying share based payments and the tax in respect of these costs.*

5 *Net debt includes cash and cash equivalents, borrowings and acquired debt but excludes lease liabilities.*

These footnotes apply throughout the RNS.

Enquiries

Knights

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Notes to Editors

Knights is a legal and professional services business, ranked within the UK's top 50 largest law firms by revenue. Knights was one of the first law firms in the UK to move from the traditional partnership model to a corporate structure in 2012 and has since grown rapidly. Knights has specialists in all key areas of corporate and commercial law so that it can offer end-to-end support to businesses of all sizes and in all sectors. It is focussed on key UK markets outside London and currently operates from 23 offices located in Birmingham, Brighton, Bristol, Carlisle, Cheltenham, Chester, Exeter, Kings Hill, Leeds, Leicester, Lincoln, Manchester, Newbury, Newcastle-upon-Tyne, Nottingham, Oxford, Portsmouth, Sheffield, Stoke, Teesside, Weybridge, Wilmslow and York.

Chief Executive's Review

Introduction

The Group has performed in line with the Board's expectations in the first half, with a return to organic revenue growth and strong growth in profits, as we continue to execute our strategy by focusing on growth in underlying EBITDA.

Underlying EBITDA increased by 25% to £18.2m, reflecting an increase in underlying EBITDA margin to 24.2% (H1 FY23: 20.5%) driven by an increase in interest receivable on client monies of £3.8m. Underlying PBT also increased by 29% to £11.6m, compared to the prior half year period, resulting in an increase in underlying PBT margin from 12.6% to 15.4%.

Revenue increased by 6% to £75.3m, delivering overall organic growth of 3.3% (0.4% H1 FY23). Pleasingly, excluding the more cyclical residential property and corporate work, the business achieved 9% organic growth, demonstrating a resilient performance from Knights' diversified range of specialisms serving a broad spectrum of sectors. Growth in non-cyclical markets, particularly Private Wealth, Dispute Resolution and our growing regulatory team, helped to offset the impact of the subdued housing and corporate M&A markets.

We are creating greater momentum in the business, driven by a return to working in our offices, improving pricing and cost discipline, by securing a greater share of our clients' spend, and through the attraction and retention of talent, as we leverage our greater size and growing reputation.

Our prior year acquisitions, Coffin Mew, Meade King and Globe Consultants are performing as expected given the current macro-economic conditions, and the first half acquisitions of St James Law and Baines Wilson have integrated to plan, consolidating our coverage across most of England, outside the capital.

We have maintained our disciplined approach to cash collection, resulting in debtor days of 31 as at 31 October 2023 (31 October 2022: 32 days, 30 April 2023: 30 days), with total lock-up improving to 93 days compared to 103 days at 31 October 2022 and 87 days as at 30 April 2023.

This focus on cash has resulted in net debt of £38.3m at 31 October 2023 (H1 FY23: £35.6m, FY23: £29.2m), after £7.5m of acquisition consideration, debt and related costs in the first half, providing significant headroom against the Group's recently increased £70m revolving credit facility. Although this represents an increase in net debt from the balance as at 30 April 2023, this is principally due to payment of consideration for current and prior year acquisitions and first half weighting of certain payments such as dividends, corporation tax and other overheads.

As we are building a national business with a strong reputation for providing a premium service, our near-term focus is on driving organic growth through attracting and retaining high calibre people, pricing our services for the high value we deliver, and providing more services to our larger clients, all supported by greater capability, consistency and efficiency across the business.

A more favourable market for attracting and retaining talent

We are attracting high calibre talent to Knights due to our increasing size and reputation and our differentiated ownership and business model, which offers an attractive alternative to the financial commitment and risk associated with traditional equity partnership-style models.

We recruited 20 senior fee earning professionals in the first half, compared to nine in the same period last year, by focusing more of our resources on recruitment, with our Client Services Directors becoming more engaged in our recruitment strategy.

Importantly, we have also seen churn reduce significantly, to six percent, compared with 11% for the same period last year, meaning that our higher levels of recruitment will have a greater positive impact on our organic growth.

Although assisted by market conditions, we have also introduced our employee value proposition alongside an upgraded employee benefits package and regular regional conferences, all of which enhances our employee experience and increases our retention levels. Our decision to return to office-based working a year ago is also paying dividends in terms of creating stronger cultural cohesion, people being able to work together more seamlessly, and better development opportunities for the less experienced members of our team.

Leveraging the clear value our premium service delivers at scale

Having invested in scaling up our business considerably in recent years while establishing greater awareness of our brand and differentiated offering, and having built a strong reputation for high quality service delivered consistently nationally, we have focussed primarily on leveraging this platform during the first half.

We started to benefit from the Group's pricing strategy in the first half, with a pricing increase implemented from May 2023 now embedded within our people and across all new client engagements. We have been encouraged by the traction this has gained, without adverse impact on relationships as clients continue to recognise the strong value Knights delivers through its premium service without a London cost base.

We have also continued to grow our share of the spend by our larger clients.

Our unique way of working together as one collaborative team across our 23 offices is becoming deeply embedded within our culture. Our approach to the delivery of client services, led by 275 Partners who are always available to clients without the distraction of managing a business, is gaining momentum and awareness in the business and private wealth sectors.

Driving consistency and efficiency across the business

We have always managed costs tightly as part of our model, and there are a number of areas where we have continued to drive efficiencies during the first half, whilst also ensuring our professionals are consistently well supported across the business.

For instance, we have moved to a more centralised platform for HR and compliance, resulting in cost savings. We also continue to leverage post-acquisition synergies, continuing to review our property portfolio and making changes where appropriate to crystalise other savings, such as the cost of professional indemnity insurance.

We will continue to drive efficiencies and the consistent streamlining of processes across the business to retain tight control of costs.

Board

As previously announced, Dave Wilson was appointed as non-executive Chair of the Board on 15 November 2023, bringing with him over 30 years' international, board-level and operational experience. He previously spent 12 years in senior roles, including as Deputy Chief Executive Officer at AIM-listed GB Group Plc, during which time that business grew both organically, and through the successful completion of 14 acquisitions, scaled from a market cap of £14 million to £1.8 billion. He is also currently non-executive Chair of AIM-listed media group, LBG Media Plc, and a non-executive director of musicMagpie Plc.

Bal Johal stepped down from the Board at the same time, having served as non-executive Chair of Knights since 2012. On behalf of the Board, I reiterate our thanks to him for his immense contribution to the business over the past 11 years, during which time the Group has seen significant growth.

Acquisitions

The integration of prior year acquisitions, Coffin Mew (Portsmouth), Meade King (Bristol) and Globe Consultants Limited (Lincoln), has been successful and all are performing well, despite challenging market conditions for the residential property sector in the period.

During the first half, the Group completed the acquisition of St James Law (Newcastle) and Baines Wilson (Carlisle), further strengthening the Group's presence in the North. St James Law brought to the Group an independent full service commercial law firm based in Newcastle, and Baines Wilson brought one of the leading independent law firms in the North West, offering Corporate, Real Estate, Dispute Resolution and Employment services.

Both businesses have integrated well and are performing in line with the Board's expectations.

Our acquisitions in Bristol and Newcastle, in particular, provide excellent platforms for further organic growth through the recruitment of professionals in those key regional markets for professional services, and we have already hired five partners in each of these new locations.

New and extended £70m Revolving Credit Facility agreed

In November, we announced a new, extended revolving credit facility providing total committed funding of £70m until November 2026, split between HSBC UK, AIB (GB) and NatWest, replacing the former £60m facility. This provides the Group with the headroom and flexibility to continue to execute our strategy, scale our business and accelerate organic growth, complemented by selective acquisitions.

Dividend

The Group's dividend policy balances the retention of profits to fund our long-term growth strategy with providing shareholders with a return as our growth strategy delivers strong results. In line with that policy, the Board is proposing an interim dividend of 1.61p per share (HY23 1.53p), an increase of 5%. The dividend will be payable on 15 March 2024 to shareholders on the register at 16 February 2024.

Current trading and outlook

The Group has continued to trade in line with the Board's expectations in the second half as we execute on our strategy which is delivering profitable, cash generative growth.

Whilst mindful of the current macroeconomic environment, we are encouraged that we are attracting and retaining high quality, talented professionals, have a healthy pipeline of opportunities with new and existing larger clients for our premium service, and that our diversified services, capabilities, and client base provide resilience. We will continue to focus on driving organic growth and efficiency in the second half, providing a strong platform for further future acquisitions.

David Beech

CEO

Financial Review

I am pleased to report that for the first half of this year the Group has delivered strong growth in underlying EBITDA of 25% to £18.2m (H1 FY23: £14.6m), good cash conversion[4] and a net debt position in line with the Board expectations.

	6 months ended	6 months ended	c

	31 October 2023 £'000	31 October 2022 £'000
Revenue	75,296	71,200
Other operating income	5,471	1,874
Staff costs	(47,825)	(43,935)
Impairment of trade receivables and contract assets	(131)	(306)
Other operating charges	(14,619)	(14,232)
Underlying EBITDA	**18,192**	**14,601**
Underlying EBITDA %	*24.2%*	*20.5%*
Depreciation and finance charges under IFRS 16	(3,567)	(3,559)
Other Depreciation and amortisation charges (excluding amortisation on acquired intangibles)	(1,514)	(1,198)
Other Finance charges	(1,535)	(855)
Underlying profit before tax	**11,576**	**8,989**
Underlying profit before tax margin	*15.4%*	*12.6%*
Underlying tax charge (excluding impact of non-recurring deferred tax)	(3,004)	(1,938)
Underlying profit after tax	**8,572**	**7,051**
Basic underlying EPS (pence)	**9.99**	**8.26**

Revenue

Reported revenue for the period is £75.3m, compared to £71.2m for the same period last year, an increase of 6%. Of this increase £2.1m related to growth in organic revenues of 3.3%; £2.1m related to H1 FY 24 acquisitions and £0.6m represented the increase in revenues from FY 23 acquisitions over the comparable period of ownership in the prior year. The disposal of HPL in July FY23 has resulted in a £0.7m decrease in revenue compared to the same period last year.

Revenue from acquisitions

Acquisitions completed during FY23

The acquisitions of Globe Consultants, Meade King and Coffin Mew completed during FY23. All acquisitions are well integrated and other than Coffin Mew, which has been adversely impacted by the downturn in the housing market, the acquisitions are currently performing ahead of expectations, taking into account the anticipated retention of 80% of revenues post-acquisition. As expected, these acquisitions have provided good opportunities for organic growth with good recruitment into these acquired offices in H1 FY24 which will contribute towards organic growth in H2 FY24 and beyond.

Acquisitions completed during the period to 31 October 2023

In the period to 31 October 2023, we acquired Baines Wilson and St James Law. These acquisitions have integrated well and are performing as expected. Again, these acquisitions are providing good opportunities for recruitment.

Organic growth

We are pleased to report a return to organic growth in the period, of 3.3%. Excluding the macro-economic impact of the increased cost of debt on the housing market (a 20% reduction) and corporate transactions (a 15% reduction), organic growth was 9.5%. Strong growth in non-cyclical areas of the business such as Private Wealth and Dispute Resolution, and our growing regulatory team has contributed to the growth as a result of improved pricing and quality of work undertaken due to our increased scale.

Employee costs

Total staff costs as a percentage of revenue were 63.5% for H1 FY24 (H1 FY23: 61.7%). The increase in staff costs reflected an increase in both direct and indirect staff costs. We have invested in new senior recruits to drive future growth (35 senior recruits in H2 FY23 and H1 FY24) who typically take 6-9 months to generate expected run rate revenue, together with investment in additional client service directors leaving the Group well positioned for growth going forward.

Other operating charges

Other operating charges have decreased slightly to 19.4% of revenue H1 FY24 (H1 FY23: 20.0%). We continue to drive efficiencies from the cost base, including from acquisitions whilst continuing to invest in growth.

Other operating income

Other operating income has increased by £3.6m to £5.5m from H1 FY23 to H1 FY24, as a result of increased interest income arising from interest earned on client monies net of monies paid out to clients. As a large Group consistently handling significant amounts of client monies, we are able to attract a higher level of interest than individual clients could achieve on an individual instant access account. This results in a net benefit to the Group, with approximately 15% of interest received being paid out to clients, which typically equates to what they would receive in an instant access account.

Underlying EBITDA[1]

Underlying EBITDA excludes non-underlying operating costs which consist of transaction costs in relation to acquisitions, contingent consideration and one-off restructuring and professional costs incurred mainly as a result of the streamlining of the support function in relation to acquisitions or strategic reorganisations. The Board considers this to be a key metric to measure business performance.

During the period, underlying EBITDA increased by £3.6m to £18.2m (H1 FY23: £14.6m) representing an increase in margin to 24.2% (H1 FY23: 20.5%), benefitting from an increase in the net interest earned on client monies in the period, partly offset by increased staff costs as a percentage of revenue.

IFRS 16 depreciation and finance charges

The IFRS 16 rental and finance charges reflects the accounting charge in respect of all leases with a term of over one year. The total costs in the half year are comparable to the same period prior year, as the Group continues to leverage its property costs.

Depreciation and amortisation charges

The increased charge from £1.2m in H1 FY23 to £1.5m in H1 FY24 is due to continued investment in systems and investment in property upgrades/refurbishment to support growth.

Finance charges

Finance charges, excluding lease interest, increased by £0.6m in the period, to £1.5m (H1 FY23: £0.9m) driven

Finance charges, excluding lease interest, increased by [illegible] in the period, to [illegible] (H1 FY23: [illegible]) driven mainly by the higher level of UK interest rates.

Underlying Profit Before Tax[2]

Underlying profit before tax excludes amortisation of acquired intangibles, transaction and onerous lease costs in relation to acquisitions, contingent consideration and one off restructuring and professional costs incurred mainly as a result of the streamlining of the support function in relation to acquisitions or strategic reorganisations.

Underlying profit before tax has been calculated as an alternative performance measure to provide a more meaningful measure and to aid comparison of the profitability of the underlying business to prior periods.

	6 months ended 31 October 2023 £'000	**6 months ended 31 October 2022 £'000**
Profit before tax	6,892	4,116
Amortisation (excluding computer software)	1,794	1,740
Non-underlying costs	2,890	3,133
Underlying profit before tax	**11,576**	**8,989**

The Group's underlying profit before tax has increased by 29% to £11.6m (H1 FY23: £9.0m).

The underlying profit before tax margin has increased to 15.4% compared to 12.6% in the prior period, benefitting from an increase in the EBITDA margin, offset by an increase in interest payable.

Reported Profit Before Tax

The reported profit before tax in the period has increased by 68% to £6.9m (H1 FY23: £4.1m) driven by an increase in the underlying profit before tax and a reduction in the level of non-underlying charges in the period.

Taxation

The corporation tax charge for the period was £2.3m (H1 FY23 (£1.2m) giving an increased effective rate of tax of 33% (H1 FY23 29%) primarily reflecting the increase in the corporation tax rate from 19% to 25% in the period.

The effective rate of tax on the underlying profit of the business was 26% (H1 FY23 22%)

Earnings per Share (EPS)

Basic EPS in the period increased by 54% to 5.34p (H1 FY23: 3.46p per share). Taking account of the dilutive impact of potential share options, the basic Diluted EPS has increased by 51% or 1.76p per share to 5.21p per share (H1 FY23: 3.45p).

To provide a comparison year on year excluding one off items, underlying EPS[2] has also been calculated giving an increase of 21% to 9.99p per share (H1 FY23: 8.26p per share). The weighted average number of shares used to calculate the undiluted EPS for the half year was 85,816,798 (H1 FY23: 85,382,872).

Dividend

In line with the Group's progressive dividend policy, and to reflect the improved performance of the Group, balanced with the Board's commitment to continue to reinvest the profits of the Group to fund future strategic growth plans, the Board has declared an interim dividend of 1.61p per share (H1 FY23 1.53p per share). This will be payable on 15 March 2024 to shareholders on the register on 16 February 2024.

Balance Sheet

	31 October 2023 £'000	**31 October 2022 £'000**	**30 April 2023 £'000**
Goodwill and Intangible assets	88,615	88,498	88,021
Right of use assets	35,770	41,822	38,200
Working capital	57,185	50,485	48,404
Other net liabilities	(962)	(3,231)	(2,833)
Lease liabilities	(42,223)	(47,704)	(44,916)
	138,385	**129,870**	**126,876**
Cash and cash equivalents	6,333	4,374	4,045
Borrowings	(44,620)	(39,931)	(33,265)
Net debt	**(38,287)**	**(35,557)**	**(29,220)**
Deferred consideration	(3,997)	(6,018)	(4,849)
Net assets	**96,101**	**88,295**	**92,807**

The Group's net assets increased by £3.3m from £92.8m as at 30 April 2023 to £96.1m as at 31 October 2023, primarily due to profits generated in the period and credits in relation to share based payments during the period, less the dividend paid in respect of the year ended 30 April 2023 of £2.1m.

Working capital and cash management

	31 October 2023 £'000	**31 October 2022 £'000**	**30 April 2023 £'000**
Contract assets	43,587	38,335	38,215
Trade and other receivables	30,516	30,671	31,087
Corporation tax receivable	1,239	427	152
Total current assets	**75,342**	**69,433**	**69,454**
Trade and other payables	(17,949)	(18,714)	(20,832)
Contractual liabilities	(208)	(234)	(218)
Total current liabilities	**(18,157)**	**(18,948)**	**(21,050)**
Net working capital	**57,185**	**50,485**	**48,404**

Net working capital has increased to £57.2m as at 31 October 2023 (31 October 2022: £50.5m). The key driver behind this is a £5.3m increase in the level of contract assets at the period end compared to the comparative period last year, primarily due to a £1.2m increase in WIP from acquisitions post 1 November 2022 and an increase in the contract assets within our CL Medilaw business (£3.8m increase), due to continued growth in this area.

The management of lock up[3] continues to be a fundamental KPI for the Group and is a key focus for the Board, Client Service Directors and the wider management team. As at 31 October 2023 lock up was 93 days (31 October 2022: 103 days) broken down as 31 debtor days and 62 WIP days (31 October 2022: 32 debtor days and 71 WIP days) [illegible] days) broken down as 31 debtor days and [illegible] WIP days (31 October 2022: 32 debtor days and [illegible] WIP days). Due to the disproportionate amount of time that it takes to conclude certain work types such as our CL Medilaw and Insolvency matters these worktypes are excluded from our WIP days calculation so as not to deter the majority of the business from focussing on achieving its excellent lock up days. If WIP days were calculated including all WIP of the Group this would give WIP days of 105 days and hence a total lock up with no exclusions of 136 days as at 31 October 2023 (31 October 2022: 131 days).

Cash Flow

	6 months ended 31 October 2023 £'000	6 months ended 31 October 2022 £'000
Underlying EBITDA	18,192	14,601
Change in working capital	(6,244)	(6,376)
Cash outflow for IFRS 16 leases	(3,303)	(3,626)
Movement in provisions and underlying share based payment charge	1,022	(134)
Cash generated from underlying operations (pre tax)	**9,667**	**4,465**
Tax paid	(3,754)	(415)
Net cash generated from underlying operating activities	**5,913**	**4,050**
Underlying profit after tax	**8,572**	**7,051**
Underlying cash conversion[4]	**69%**	**57%**

Cash generation continues to be a key focus for the management team. As a result of the continued focus on this and specifically the management of lock up, the Group generated underlying operating cashflows of £5.9m during the period, a conversion rate of 69% on underlying profits. This good cash generation in the period has resulted in net debt of £38.3m as at 31 October 2023 (30 April 2023: £29.2m) after a cash outlay of c.£7.5m relating to acquisition consideration and related non underlying costs.

The increase in corporation tax paid in the period compared to the comparable period last year is due to the expected increase in profitability of the Group, an increase in corporation tax rates from 19% to 25% and the payment in H1 23 being reduced due to an opening debtor of £1.8m as at the start of the year.

The table below shows a reconciliation of the key cash flow movements impacting the movement in net debt.

Net Debt[5]

	£'000
Net debt as at 30 April 2023	29,220
Other net cash (inflows) from operating activities	(5,913)
Deferred and contingent consideration paid	3,396
Consideration paid for acquisitions in the year (including acquired debt and cash)	2,549
Acquired debt	642
Non-underlying costs paid	2,053
Interest on borrowings	1,535
Dividends paid	2,144
Capital expenditure	2,661
Net debt as at 31 October 2023	**38,287**

On 7 November 2023 we renewed and extended our RCF facility to £70m, committed until November 2026. The Group has £31m headroom in the RCF facility as at 31 October 2023 (and is well within its key covenants). For banking purposes our leverage as at 31 October 2023 was 1.3 times EBITDA (as defined for covenant purposes) Interest is payable on the loan at a margin of between 1.65% and 2.55% above Sonia dependent on leverage.

The Group is, therefore, in a strong financial position with the headroom and flexibility to continue to execute our growth strategy.

Kate Lewis
CFO

Knights Group Holdings plc
Consolidated Statement of Comprehensive Income

For the 6 month period ended 31 October 2023

	Note	6 months ended 31 October 2023 (Unaudited) £'000	6 months ended 31 October 2022 (Unaudited) £'000	Year ended 30 April 2023 (Audited) £'000
Revenue		75,296	71,200	142,080
Other operating income		5,471	1,874	6,718
Staff costs	3	(47,825)	(43,935)	(88,412)
Depreciation and amortisation charges	4	(6,162)	(5,746)	(11,616)
Impairment of trade receivables and contract assets		(131)	(306)	(468)
Other operating charges	5	(14,619)	(14,232)	(26,539)
Operating profit before non-underlying charges		**12,030**	**8,855**	**21,763**
Non-underlying operating costs	6	(2,818)	(3,451)	(6,791)
Non-underlying gains on disposal	6	-	318	318

Non-underlying gains on disposal	[illegible]		[illegible]	[illegible]
Operating profit		**9,212**	**5,722**	**15,290**
Finance costs	7	(2,280)	(1,624)	(3,661)
Finance income	8	32	18	52
Non-underlying finance costs	6	(72)	-	(152)
Profit before tax		**6,892**	**4,116**	**11,529**
Taxation		(2,313)	(975)	(3,175)
Non-underlying tax charge		-	(185)	(410)
Profit and total comprehensive income for the period attributable to equity owners of the parent		**4,579**	**2,956**	**7,944**
Earnings per share		**Pence**	**Pence**	**Pence**
Basic earnings per share	9	5.34	3.46	9.28
Diluted earnings per share	9	5.21	3.45	9.19

Knights Group Holdings plc

Consolidated Statement of Financial Position

As at 31 October 2023

	31 October 2023 (Unaudited) £'000	31 October 2022 (Unaudited) £'000	30 April 2023 (Audited) £'000
Assets			
Non-current assets			
Intangible assets and goodwill	88,615	88,498	88,021
Property, plant and equipment	11,750	10,327	10,004
Right-of-use assets	35,770	41,822	38,200
Finance lease receivables	1,509	967	1,671
	137,644	141,614	137,896
Current assets			
Contract assets	43,587	38,335	38,215
Trade and other receivables	30,516	30,671	31,087
Finance lease receivables	320	161	315
Corporation tax asset	1,239	427	152
Cash and cash equivalents	6,333	4,374	4,045
	81,995	73,968	73,814
Total assets	**219,639**	**215,582**	**211,710**
Equity and liabilities			
Equity			
Share capital	171	172	171
Share premium	75,262	75,262	75,262
Merger reserve	(3,506)	(3,536)	(3,506)
Retained earnings	24,174	16,397	20,880
Equity attributable to owners of the parent	**96,101**	**88,295**	**92,807**
Non-current liabilities			
Lease liabilities	36,917	41,561	38,585
Borrowings	394	39,720	33,076
Deferred consideration	1,502	3,669	2,482
Deferred tax	8,101	8,068	8,388
Provisions	4,141	4,600	4,090
	51,055	97,618	86,621
Current liabilities			
Lease liabilities	5,306	6,143	6,331
Borrowings	44,226	211	189
Trade and other payables	17,949	18,712	20,832
Deferred consideration	2,495	2,349	2,367
Contract liabilities	208	234	218
Provisions	2,299	2,020	2,345
	72,483	29,669	32,282
Total liabilities	**123,538**	**127,287**	**118,903**
Total equity and liabilities	**219,639**	**215,582**	**211,710**

Knights Group Holdings plc

Consolidated Statement of Changes in Equity

For the 6 month period ended 31 October 2023

Attributable to equity holders of the Parent			
Share	**Share**	**Merger**	**Retained**

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 May 2022 (audited)	**169**	**74,264**	**(3,536)**	**14,762**	**85,659**
Profit for the period and total comprehensive income	-	-	-	2,956	2,956
Transactions with owners in their capacity as owners:					
Credit to equity for equity-settled share-based payments	-	-	-	428	428
Issue of shares	3	998	-	-	1,001
Dividends				(1,749)	(1,749)
Balance at 31 October 2022 (unaudited)	**172**	**75,262**	**(3,536)**	**16,397**	**88,295**
Profit for the period and total comprehensive income	-	-	-	4,988	4,988
Transactions with owners in their capacity as owners:					
Credit to equity for equity-settled share-based payments	-	-	-	837	837
Issue of shares	(1)	-	-	-	(1)
Transfer	-	-	30	(30)	-
Dividends				(1,312)	(1,312)
Balance at 30 April 2023 (audited)	**171**	**75,262**	**(3,506)**	**20,880**	**92,807**
Profit for the period and total comprehensive income	-	-	-	4,579	4,579
Transactions with owners in their capacity as owners:					
Credit to equity for equity-settled share-based payments	-	-	-	859	859
Dividends	-	-	-	(2,144)	(2,144)
Balance at 31 October 2023 (unaudited)	**171**	**75,262**	**(3,506)**	**24,174**	**96,101**

Knights Group Holdings plc

Consolidated Statement of Cash Flows

For the 6 month period ended 31 October 2023

	Note	6 months ended 31 October 2023 (Unaudited) £'000	6 months ended 31 October 2022 (Unaudited) £'000	Year ended 30 April 2023 (Audited) £'000
Operating activities				
Cash generated from operations	11	12,970	8,090	29,431
Non-underlying operating costs paid	6	(2,053)	(1,243)	(3,142)
Tax paid		(3,754)	(415)	(2,424)
Contingent acquisition payments		(2,229)	(1,368)	(3,870)
Net cash from operating activities		**4,934**	**5,064**	**19,995**
Investing activities				
Acquisition of subsidiaries (net of cash acquired)		(1,888)	(5,135)	(6,018)
Purchase of intangible fixed assets		(25)	(43)	(71)
Purchase of property, plant and equipment		(2,835)	(1,033)	(1,853)
Proceeds from sale of property, plant and equipment		-	(2)	-
Proceeds from lease receivables		188	57	237
Disposal of subsidiaries (net of cash disposed)		-	747	1,068
Landlord capital contribution		225	-	-
Associated lease costs		(26)	-	-
Payment of deferred consideration		(1,167)	-	(1,210)
Net cash used in investing activities		**(5,528)**	**(5,409)**	**(7,847)**
Financing activities				
Proceeds of new borrowings		15,450	22,500	34,425
Repayment of borrowings		(4,650)	(15,721)	(33,900)
Repayment of debt acquired with current year subsidiaries		(661)	(35)	(256)
Repayment of debt acquired with prior year subsidiaries		(86)	-	(438)
Repayment of lease liabilities		(2,747)	(2,829)	(5,439)
Interest and other finance costs paid		(2,280)	(1,674)	(3,661)
Dividends paid		(2,144)	(1,749)	(3,061)
Net cash from/(used in) financing activities		**2,882**	**492**	**(12,330)**
Net increase/(decrease) in cash and cash equivalents		2,288	147	(182)
Cash and cash equivalents at the beginning of the period		4,045	4,227	4,227
Cash and cash equivalents at end of period (note 12)		**6,333**	**4,374**	**4,045**

Knights Group Holdings plc

Notes to the Consolidated Interim Financial Statements

For the 6 month period ended 31 October 2023

1. General Information

Knights Group Holdings plc ("the Company") is a public company limited by shares and is registered, domiciled and incorporated in England (registration no. 11290101).

The Group consists of Knights Group Holdings plc and all of its subsidiaries.

The principal activity and nature of operations of the Group is the provision of legal and professional services. The address of its registered office is:

The Brampton
Newcastle-under-Lyme
Staffordshire
ST5 0QW

2. Accounting policies

2.1 Basis of preparation

The accounting policies used in the preparation of the interim financial information for the six months ended 31 October 2023 are in accordance with the recognition and measurement criteria of UK-Adopted International Accounting Standards and are consistent with those which will be adopted in the annual statutory financial statements for the year ending 30 April 2024.

The Group's statutory financial statements for the year ended 30 April 2023, prepared under UK-adopted International Accounting Standards, have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. This interim financial information was approved by the board on 10 January 2024.

The financial statements contained in this interim report do not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

The interim report has not been audited or reviewed in accordance with the International Standard on Review Engagements (UK) 2410 issued by the Financial Reporting Council.

Monetary amounts are presented in sterling, being the functional currency of the Group, rounded to the nearest thousand except where otherwise indicated.

2.2 Going concern

The interim financial information has been prepared on a going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group has a strong trading performance, generates strong operating cashflows and has recently renewed and increased its banking facilities from £60,000,000 to £70,000,000, available until 7 November 2026. The Group's forecasts show sufficient cash generation and headroom in banking facilities and covenants by comparison to anticipated future requirements to support the Directors' conclusions that the assumption of the going concern basis of accounting in preparing the interim financial information is appropriate.

The Group continues to trade profitably and cash generation at an operating cashflow level has remained strong and in line with expectation. In order to satisfy the validity of the going concern assumption, a number of different trading scenarios including a reduction in revenues and costs and an increase in interest rates and lock up have been modelled and reviewed. Some of these scenarios forecast a significantly more negative trading performance than is expected. In all of these scenarios the Group remained profitable and with significant headroom in its cash resources for the 12 months from the date of approval of this interim financial information.

2.3 Accounting developments

There have been no new standards or interpretations relevant to the Group's operations applied in the interim financial information for the first time.

3. Staff costs

	6 months ended 31 October 2023 (Unaudited) £'000	6 months ended 31 October 2022 (Unaudited) £'000	Year ended 30 April 2023 (Audited) £'000
Employee costs	46,973	43,517	87,164
Share-based payment charge	852	418	1,248
	47,825	**43,935**	**88,412**

4. Depreciation and amortisation charges

	6 months ended 31 October 2023	6 months ended 31 October 2022	Year ended 30 April 2023

	(Unaudited) £'000	(Unaudited) £'000	(Audited) £'000
Depreciation	1,463	1,143	2,364
Depreciation of right-of-use assets	2,854	2,808	5,706
Amortisation	1,845	1,793	3,544
Loss on disposal of property, plant and equipment	-	2	2
	6,162	**5,746**	**11,616**

5. Other operating charges

	6 months ended 31 October 2023 (Unaudited) £'000	6 months ended 31 October 2022 (Unaudited) £'000	Year ended 30 April 2023 (Audited) £'000
Establishment costs	3,900	3,573	6,888
Short term and low value lease costs	147	132	302
Other overhead expenses	10,572	10,527	19,349
	14,619	**14,232**	**26,539**

6. Non-underlying operating costs

	6 months ended 31 October 2023 (Unaudited) £'000	6 months ended 31 October 2022 (Unaudited) £'000	Year ended 30 April 2023 (Audited) £'000
Redundancy and reorganisation staff costs	318	584	1,359
Transaction costs	762	585	953
Onerous short life asset leases	-	(13)	-
Impairment of right-of-use assets	153	38	38
Profit on disposal of right-of-use assets	(54)	-	-
Loss/(profit) on disposal of intangible assets and property, plant and equipment	84	(12)	(12)
Effective interest on deferred consideration	-	28	-
Share based payment charges	7	11	17
Contingent consideration treated as remuneration	1,548	2,230	4,436
	2,818	**3,451**	**6,791**
Non-underlying gains on disposal	-	(318)	(318)
Non underlying finance costs	72	-	152
	2,890	**3,133**	**6,625**

Non-underlying costs cash movement

	6 months ended 31 October 2023 (Unaudited) £'000	6 months ended 31 October 2022 (Unaudited) £'000	Year ended 30 April 2023 (Audited) £'000
Non-underlying operating costs	2,890	3,133	6,625
Adjustments for:			
Contingent consideration shown separately	(1,548)	(2,230)	(4,436)
Non cash movements:			
Share based payment charge	(7)	(11)	(17)
Impairment of right of use assets	(153)	(38)	(38)
Profit on disposal of investments	-	318	318
Profit on disposal of right of use assets	54	-	-
(Loss)/profit on disposal of property, plant and equipment	(84)	12	12
Effective interest on deferred consideration	-	(28)	-
Onerous leases	-	13	-
Accrual	-	74	218
Non-underlying finance costs	(72)	-	(152)
Additional cash movements:			
Rental payments on onerous leases	335	-	543
Service charge payments on onerous leases	48	-	92
Receipt for sale of HPL fixed assets	-	-	(24)
Payment of dilapidation provisions	590	-	-
	2,053	**1,243**	**3,141**

Non-underlying costs relate to redundancy costs to streamline the support function of the Group following acquisitions, transaction costs in respect of acquisitions, impairment and lease surrender costs as a result of restructuring following acquisitions, onerous lease costs in respect of acquisitions, disposals of acquired assets and share based payment charges relating to one off share schemes offered to employees as part of the IPO and on acquisitions. On 5 July 2022 the group disposed of Home Property Lawyers Limited, a former subsidiary of the Group, this was sold for a total consideration of £1,276,000 with a profit on disposal of £318,000. The profit on disposal was recognised within non-underlying costs.

Contingent consideration is included in non-underlying costs as it represents payments which are contingent on the continued employment of those individuals with the Group, agreed under the terms of the sale and purchase agreements with vendors of certain businesses acquired. The payments extend over periods of one to three years and are designed to preserve the value of goodwill and customer relationships acquired in the business combinations. IFRS requires such arrangements to be treated as remuneration and charged to the Statement of Comprehensive Income. The individuals also receive market rate salaries for their work, in line with other similar members of staff in the Group. The contingent earnout payments are significantly in excess of these market salaries and would distort the Group's results if not separately identified.

7. Finance costs

	6 months ended 31 October 2023 (Unaudited) £'000	6 months ended 31 October 2022 (Unaudited) £'000	Year ended 30 April 2023 (Audited) £'000
Interest on borrowings	1,535	855	2,135
Interest on leases	745	769	1,526
	2,280	**1,624**	**3,661**

8. Finance income

	6 months ended 31 October 2023 (Unaudited) £'000	6 months ended 31 October 2022 (Unaudited) £'000	Year ended 30 April 2023 (Audited) £'000
Lease interest receivable	**32**	**18**	**52**

9. Earnings per share

Basic and diluted earnings per share have been calculated using profit after tax and the weighted average number of ordinary shares in issue during the period.

	6 months ended 31 October 2023 (Unaudited) Number	6 months ended 31 October 2022 (Unaudited) Number	Year ended 30 April 2023 (Audited) Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	85,816,798	85,382,872	85,597,833
Effect of dilutive potential ordinary shares: Share options	2,075,973	230,569	878,031
Weighted average number of ordinary shares for the purposes of diluted earnings per share	87,892,771	85,613,441	86,475,864
	£'000	**£'000**	**£'000**
Profit after tax	4,579	2,956	7,944
Earnings per share	**Pence**	**Pence**	**Pence**
Basic earnings per share	5.34	3.46	9.28
Diluted earnings per share	5.21	3.45	9.19

Underlying profit after tax (PAT) and adjusted per share (EPS)

Underlying PAT and EPS are presented as alternative performance measures to show the underlying performance of the Group excluding the effects of amortisation of intangible assets, share-based payments and non-underlying items.

	6 months ended 31 October 2023 (Unaudited) £'000	6 months ended 31 October 2022 (Unaudited) £'000	Year ended 30 April 2023 (Audited) £'000
Profit after tax	4,579	2,956	7,944
Non-underlying tax charge	-	(260)	410
Amortisation (adjusted for computer software)	1,794	1,740	3,441
Non underlying operating costs	2,890	3,133	6,625
Tax in respect of the above	(691)	(518)	(1,129)
Underlying profit after tax	**8,572**	**7,051**	**17,291**
Underlying earnings per share	**Pence**	**Pence**	**Pence**
Basic underlying earnings per share	9.99	8.26	20.20
Diluted underlying earnings per share	9.75	8.24	20.00

10. Acquisitions

St James Square Law Firm Limited ('SJS')

On 1 May 2023 the Group exchanged contracts to acquire SJS by purchasing the controlling membership interests of the entity. This acquisition completed on 16 June 2023. SJS is a law firm which will strengthen Knights' presence in the North East of England and provides entry into a new location with an office in Newcastle.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below. These figures are provisional as the purchase accounting is not yet finalised:

	Carrying amount £'000	Fair value adjustment £'000	Total £'000
Identifiable assets			
Identifiable intangible assets	-	20	20
Property, plant and equipment	30	(7)	23
Contract assets	250	-	250
Trade and other receivables	364	-	364
Cash and cash equivalents	272	-	272
Liabilities			
Trade and other payables	(406)	-	(406)
Borrowings to be repaid within the year	(532)	-	(532)
Borrowings to be repaid over 1 year	(638)	-	(638)
Provisions	(18)	-	(18)
Deferred tax	(10)	(5)	(15)
Total identifiable assets and liabilities	**(688)**	**8**	**(680)**
Goodwill			870
Total consideration			**190**

Satisfied by:	
Cash	67
Deferred consideration	123
Total consideration transferred	**190**
Net cash outflow arising on acquisition:	
Cash consideration (net of cash acquired)	(205)
Repayment of debt within the year	532
Net cash outflow arising on acquisition	**327**
Repayment of debt in future years	**638**

Intangibles relating to customer relationships of £20,000 has been arrived at using the excess earnings method. The goodwill of £870,000 represents the assembled workforce, with the acquisition bringing a number of new fee earners and expected synergies. None of the goodwill is expected to be deductible for income tax purposes.

A contingent consideration arrangement was entered into as part of the acquisition. This is contingent on the sellers remaining in employment by the Group so it has been excluded from the consideration and will be recognised in the Consolidated Statement of Comprehensive Income on a straight-line basis as a remuneration expense over the 2 years post acquisition period. This is recognised within non-underlying operating costs.

The maximum undiscounted amount of all potential future payments under the contingent consideration arrangement is £380,000 and is payable in equal instalments on the first and second anniversary of completion.

There are also undiscounted deferred consideration payments totalling £132,000 outstanding. This is payable in instalments on the first, second and third anniversaries of completion.

SJS contributed £700,000 of revenue to the Group's Statement of Comprehensive Income for the period from 1 May 2023 to 31 October 2023. The profit contributed is not separately identifiable due to the hive-up of its trade and assets being incorporated into Knights Professional Services Limited from 16 June 2023.

Baines Wilson Limited Liability Partnership ('BW')

On 1 May 2023 the Group exchanged contracts to acquire BW by purchasing the controlling membership interests of the entity. This acquisition completed on 2 June 2023. BW is a law firm which will strengthen Knights' presence in the North of England and provides entry into a new location with an office in Carlisle.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below. These figures are provisional as the purchase accounting is not yet finalised.

	Carrying amount £'000	Fair value adjustment £'000	Total £'000
Identifiable assets			
Identifiable intangible assets	-	383	383
Property, plant and equipment	409	27	436
Contract assets	94	-	94
Trade and other receivables	685	-	685
Cash and cash equivalents	302	-	302
Liabilities			
Trade and other payables	(295)	-	(295)
Borrowings	(130)	-	(130)
Provisions	(30)	-	(30)
Deferred tax	(16)	(96)	(112)
Total identifiable assets and liabilities	**1,019**	**314**	**1,333**
Goodwill			1,062
Total consideration			**2,395**

Satisfied by:	
Cash	2,395
Total consideration transferred	**2,395**
Net cash outflow arising on acquisition:	
Cash consideration (net of cash acquired)	2,093
Repayment of debt	130
Net cash outflow arising on acquisition	**2,223**

Intangibles relating to customer relationships of £383,000 has been arrived at using the excess earnings method. The goodwill of £1,062,000 represents the assembled workforce, with the acquisition bringing a number of new fee earners and expected synergies. None of the goodwill is expected to be deductible for income tax purposes.

A contingent consideration arrangement was entered into as part of the acquisition. This is contingent on the sellers remaining in employment by the Group so it has been excluded from the consideration and will be recognised in the Statement of Comprehensive Income on a straight-line basis as a remuneration expense over the 3 years post-acquisition period. This is recognised within non-underlying operating costs.

The maximum undiscounted amount of all potential future payments under the contingent consideration arrangement is £1,020,000 and is payable in equal instalments on the first, second and third anniversary of completion.

BW contributed £1,432,000 of revenue to the Group's Statement of Comprehensive Income for the period from 1 May 2023 to 31 October 2023. The profit contributed is not separately identifiable due to the hive-up of its trade and assets being incorporated into Knights Professional Services Limited from 2 June 2023.

11. Reconciliation of profit to net cash generated from operations

	6 months ended 31 October 2023 (Unaudited) £'000	6 months ended 31 October 2022 (Unaudited) £'000	Year ended 30 April 2023 (Audited) £'000
Profit before taxation	6,892	4,116	11,529
Adjustments for:			
Amortisation	1,845	1,793	3,544
Depreciation - property, plant and equipment	1,463	1,143	2,364
Depreciation - right-of-use assets	2,854	2,808	5,706
Loss on disposal of equipment	-	2	2
Contingent consideration expense	1,548	2,230	4,436
Non-underlying operating costs	1,263	864	2,338
Non-underlying finance costs	72	-	152
Non-underlying gain on disposal	-	-	(318)
Non-underlying share based payments	7	11	17
Effective interest on deferred consideration	-	28	-
Share based payments	852	417	1,248
Interest income	(32)	(18)	(52)
Interest expense	2,280	1,624	3,661
Operating cash flows before movements in working capital	**19,044**	**15,018**	**34,627**
Decrease/(increase) in contract assets	1,420	(4,741)	(3,924)
(Increase)/decrease in trade and other receivables	(5,028)	3,679	3,346
Increase/(decrease) in provisions	170	(552)	(738)
(Decrease)/increase in contract liabilities	(11)	(3)	(19)
Decrease in trade and other payables	(2,625)	(5,311)	(3,861)
Cash generated from operations	**12,970**	**8,090**	**29,431**

12. Alternative performance measures

Underlying PBT (Profit Before Tax) is calculated as follows:

	6 months ended 31 October 2023 (Unaudited) £'000	6 months ended 31 October 2022 (Unaudited) £'000	Year ended 30 April 2023 (Audited) £'000
Profit before tax	6,892	4,116	11,529
Amortisation (adjusted for computer software)	1,794	1,740	3,441
Non-underlying costs (note 6)	2,818	3,451	6,791
Non-underlying gains on disposal (note 6)	-	(318)	(318)
Non-underlying finance costs (note 6)	72	-	152
Underlying profit before tax	**11,576**	**8,989**	**21,595**

Underlying EBITDA is calculated as follows:

	6 months ended 31 October 2023 (Unaudited) £'000	6 months ended 31 October 2022 (Unaudited) £'000	Year ended 30 April 2023 (Audited) £'000
Operating profit	9,212	5,722	15,290
Depreciation and amortisation charges (note 4)	6,162	5,746	11,616
Non-underlying operating costs (note 6)	2,818	3,451	6,791
Non-underlying gains on disposal (note 6)	-	(318)	(318)

Underlying EBITDA	**18,192**	**14,601**	**33,379**

Net debt is calculated as follows:

	6 months ended 31 October 2023 (Unaudited) £'000	6 months ended 31 October 2022 (Unaudited) £'000	Year ended 30 April 2023 (Audited) £'000
Borrowings	44,620	39,931	33,265
Cash and cash equivalents	(6,333)	(4,374)	(4,045)
Net debt	**38,287**	**35,557**	**29,220**

13. Free cash flow and cash conversion %

Free cash flow measures the Group's underlying cash generation. Cash conversion % measures the Group's conversion of its underlying PAT (Profit After Tax) into free cash flows. Free cash flow is calculated as the total of net cash from operating activities after adjusting for tax paid and the impact of IFRS 16. Cash conversion % is calculated by dividing free cash flow by underlying PAT, which is reconciled to profit after tax (note 9).

	6 months ended 31 October 2023 (Unaudited) £'000	6 months ended 31 October 2022 (Unaudited) £'000	Year ended 30 April 2023 (Audited) £'000
Cash generated from operations (note 11)	12,970	8,090	29,431
Tax paid	(3,754)	(415)	(2,424)
Total cash outflow for IFRS 16 leases	(3,303)	(3,626)	(6,728)
Free cash flow	**5,913**	**4,049**	**20,279**
Underlying profit after tax (note 9)	8,572	7,051	17,291
Cash conversion (%)	**69%**	**57%**	**117%**

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