RNS Number : 1667T
Knights Group Holdings PLC
14 January 2025

Knights Group Holdings plc

("Knights" or the "Group")

Half Year Results

Continued profitable growth and further margin enhancement

Knights, the national legal and professional services business, today announces its half year results for the six months ended 31 October 2024.

Financial highlights

- Strong growth in underlying PBT[1] of 25.9% to £14.6m (H1 FY24: £11.6m); Underlying PBT[1] margin up 3.0% pts to 18.4% (H1 FY24: 15.4%)
- Revenue up 5.4% to £79.4m (H1 FY24: £75.3m)
- Reported profit before tax increased by 30.4% to £9.0m (H1 FY24: £6.9m)
- Basic underlying EPS[2] up 27.2% to 12.71p (H1 FY24: 9.99p); Basic reported EPS up 33.7% to 7.14p (H1 FY24: 5.34p)
- Debtor days of 33 (H1 FY24: 31); lock up[3] of 98 days (H1 FY24: 93 days)
- Good cash conversion[4] of 63% (H1 FY24: 69%)
- Net debt[5] at £50.1m (1.4x bank leverage), (H1 FY24: £38.3m (1.3x bank leverage), FY24: £35.2m (1.1x bank leverage) after a cash outlay of c.£8.9m relating to initial and deferred consideration in respect of acquisitions
- Interim dividend 1.76p per share (H1 FY24: 1.61p per share)

Strategic and operational highlights

Focus on driving higher quality revenues, underpinned by strong national reputation

- 23 senior fee earners hired in the period (H1 FY24: 20)
- Growth in higher margin business areas of CL Medilaw, real estate and New Homes, while strategically reducing lower margin areas such as insolvency
- Streamlined and centralised internal business functions resulting in an improved fee earner to non-fee earner ratio of 3.7:1 (H1 FY24: 3.6:1)
- Maintained cost discipline and operational excellence; continued investment in the technology platform
- Experienced team of Client and Business Services Directors, with average tenure of over five years

Expanded footprint and delivering organic growth from prior year acquisitions

- Strengthened presence in West Midlands, adding offices in Worcester, Kidderminster, Solihull and Birmingham through the acquisition of Thursfields Legal Limited, which has integrated well and is performing in line with expectations
- Total revenue from recent acquisitions of Baines Wilson, St. James' Law and Meade King is ahead of expectations and delivering good organic growth opportunities

Current trading and outlook

- Trading in H2 FY25 has begun in line with our full year expectations
- Breadth and scale of offering securing significant recent client wins
- Growing reputation driving strong recruitment and acquisition pipeline
- Confident of further organic growth in the second half

David Beech, CEO of Knights, commented:

"Knights has delivered a strong performance in the first half, with a significant increase in profitability, supported by strong recruitment, significant client wins, contributions from prior year acquisitions and excellent cost discipline.

"The second half of the year has started in line with our expectations, with important recent client wins, and continued recruitment momentum, underpinning our confidence in delivering further organic growth in the second half.

"Knights' growing reputation as a quality UK legal services provider with national scale continues to support our recruitment and acquisition pipeline and we have a good pipeline of further hires for the second half.

"This positive momentum, together with our continued focus on operational excellence positions us well for delivering full year profits in line with our expectations."

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.

Enquiries

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Notes to Editors

Knights is a fast-growing 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 and Private Wealth services. It is focussed on key UK markets outside London and currently operates from 26 offices located in Birmingham, Brighton, Bristol, Carlisle, Cheltenham, Chester, Exeter, Kidderminster, Kings Hill, Leeds, Leicester, Lincoln, Manchester, Newbury, Newcastle, Nottingham, Oxford, Portsmouth, Sheffield, Solihull, Stoke, Teesside, Weybridge, Wilmslow, Worcester and York.

Footnotes

1 *Underlying PBT is before amortisation of acquired intangibles, non-underlying operating expenses, and non-underlying finance costs. Non-underlying operating expenses include transaction and onerous lease expenses in relation to acquisitions, contingent acquisition payments, disposal of acquired assets, along with one-off restructuring staff and professional expenses, mainly incurred on acquisitions, through streamlining support functions or strategic reorganisations.*

Contingent acquisition payments are treated as a non-underlying expense as this represents payments for acquisitions which are dependent on the continued employment of certain individuals in the business for an agreed contractual period after an acquisition of one to three years to preserve the acquired goodwill and customer relationships. Accounting standards require such arrangements to be treated as remuneration in the Statement of Comprehensive Income. However, the individuals also receive market rate salaries, therefore, if not separately identified, these payments would significantly distort the reported results.

2 *Underlying EPS is underlying PAT divided by the weighted average number of ordinary shares in issue.*

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 cash from operations, less tax paid and underlying IFRS 16 net lease payments, divided by underlying profit after tax.*

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

6 *Underlying EBITDA is operating profit before depreciation, amortisation and non-underlying operating expenses as defined above*[1]

7 *Underlying PAT is underlying PBT less any tax in respect of underlying items.*

8 *Underlying EBITDA post IFRS 16 is used as a metric as this reflects the profits after deduction of rental costs which is most comparable to the EBITDA reported at IPO, before the introduction of IFRS 16.*

These footnotes apply throughout the RNS

Chief Executive's Review

Overview

The Group has delivered a strong first half performance, reflecting our unwavering focus on profitable revenue growth and supporting our confidence in delivering profits in line with our expectations for the full year.

Underlying PBT increased by 25.9% to c.£14.6m (H1 FY24: £11.6m), and the Group achieved a three percentage points increase in Underlying PBT margin to 18.4% (H1 FY24: 15.4%), building on its progression from 12.6% in H1 FY23, driven by a three percentage point increase in gross profit margin from 47.5% to 50.5%.

This demonstrates the benefits of our focus on building higher quality revenues by continually strengthening our team and service capability; excellent recovery of annual rate increases; and operational excellence and cost discipline, supported by a strong performance from recent acquisitions.

Revenue grew by 5.4% to c.£79.4m (H1 FY24: £75.3m) driven predominantly by acquisitions. Organic revenue growth in the period was broadly flat with good growth in our CL Medilaw business, residential housing and commercial real estate offsetting the subdued remortgage market and corporate M&A markets, reflecting the resilience of our diversified service offering.

Prior year acquisitions, Baines Wilson and St. James' Law are fully integrated, with Baines Wilson, in particular, trading ahead of expectations during the first half, and Thursfields, which we acquired In September 2024, has integrated well and is also performing in line with our expectations.

Maintaining a disciplined approach to working capital remains fundamental to our business, and during the period debtor days were 33 (H1 FY24: 31 days) and lock up days were 98 (H1 FY24: 93, H1 FY23: 103).

Knights' net debt increased to £50.1m, predominantly driven by £8.9m initial and deferred acquisition costs and we were pleased to have agreed an extended revolving credit facility, providing the Group with significant headroom to execute its value-accretive acquisition strategy as suitable opportunities arise.

Higher quality revenues from a stronger team

As the breadth of Knights' offering has grown in scale, bringing in, for example, additional capability in niche areas like IP, data, immigration, banking and ESG, we have been increasingly well positioned to focus on higher performing teams and areas of the business such as CL Medilaw, real estate and New Homes, whilst strategically reducing work in lower margin areas.

We also continue to strengthen the quality of our team. Our recruitment momentum has continued at pace, with 23 senior professionals hired in the first half, compared with 20 in the same period the previous year. We are attracting high calibre talent from across the industry - from top 20 firms and leading independents to those seeking to come back to private practice from in-house roles - who are drawn to our corporate structure and collegiate culture as an alternative to the financial risk and structural challenges associated with the partnership model. This momentum has continued into the second half with 20 offers accepted already and a strong pipeline of candidates.

Our overall churn was 10% for the six months, as we continue to focus on motivating and rewarding high performance, consistent with our drive towards more profitable revenue generation.

Driving operational excellence and cost discipline

We are seeing the benefits of having had many of our expanded leadership team, including those who joined with acquired businesses, in place for a substantial tenure with most having now been in the business for over 5 years.

This maturity of leadership and resulting depth of understanding of the business has enabled us to continue to sharpen our focus on operational excellence across the Group, driving efficiencies, innovation and collaboration throughout the business and maximising integration synergies from acquisitions.

The growth of margin during the first half reflects this, and our strong ongoing cost discipline, aided by our regional footprint, has insulated us from some of the financial pressures seen in the City, including significant salary and property cost inflation.

cost inflation.

During the first half, we continued to streamline and centralise several internal business functions, which has delivered cost savings and efficiencies, whilst delivering enhanced support and greater collaboration across the Group. As a result, at 3.7:1 (H1 FY24: 3.6:1), our fee earner to non-fee earner ratio demonstrates that we are at the leading edge of our industry in terms of operating an efficient and lean delivery platform.

We have always aimed to be at the forefront of implementing new technologies to support and enhance our service delivery. In the first half, we have, in partnership with leading technology providers, continued to explore the use of the right platforms to enhance our internal and client-focused processes and services to ensure we stay ahead of the curve. We have continued to migrate to cloud-based from on-premise systems, reducing reliance on costly hardware, and are adopting AI applications in a measured way to support identified needs and opportunities, with a new AI-enabled document management system expected to go live in our next financial year. We remain alert to the potential benefits that emerging technologies bring in our industry, whilst recognising that a considered approach is required.

Excellent recovery and wins reflect the value clients attribute to our services

The strength of our brand and recognition of the value of our service is also demonstrated by positive momentum in new client wins.

We have also fully embedded annual rate increases, communicated in November, and effective from 1st May each year. Our excellent recovery of these rates, which is a key measure of success for the Group, reflects both our commercial focus and the recognition of Knights' value by our clients.

With Knights' reputation and national brand growing - attracting people, clients and acquisition targets to our Group - we are now implementing a number of marketing and brand initiatives to continue to drive increased awareness from a broader audience, ranging from local, regional and national business development activity through to a greater central infrastructure focused on brand marketing.

Strong performance from recent acquisitions

During the half, the Group acquired Thursfields Legal Limited, a premium, independent, full service legal services business, based in the West Midlands but with a national client base. The acquisition has significantly strengthened Knights' presence in the region, adding offices in Worcester, Kidderminster, Solihull and Birmingham. It also adds to the Group's Private Wealth service lines, with Thursfields' strong reputation in Private Client, Family and Residential Property, alongside Corporate, Real Estate and Dispute Resolution services. The team has integrated well and is performing in line with our expectations.

This acquisition is consistent with our well-established acquisition strategy, which has seen us expand through selective acquisitions to become an operator of scale, with nationwide coverage outside London. This strategy is delivering, with the prior year acquisitions of Baines Wilson and St. James' Law performing ahead of expectations, maintaining in excess of 100% of the total acquired revenues. Our previous acquisition of Meade King in February 2023 continues to demonstrate our ability to grow organically from an acquired platform with our Bristol office now demonstrating strong revenue growth.

We continue to have a healthy pipeline of acquisition opportunities, which we expect to pursue on a selective basis.

Dividend

The Group's progressive dividend policy seeks to maintain a balance between retaining profits to execute our strategy, and delivering value for shareholders as our strategy yields positive performances.

The Board is therefore proposing an interim dividend of 1.76p per share (H1 FY24: 1.61p), an increase of 9%. The dividend will be payable on 14 March 2025 to shareholders on the register at 14 February 2025.

Proven track record as a corporatised consolidator having built a national brand of scale

When Knights changed to a corporate model, well over a decade ago, we were a pioneer in the industry. Since then, we have proven the benefits of the corporate model and of being a consolidator of our fragmented sector, in which the traditional partnership model faces increasing structural pressures.

We have clear momentum in the number of professionals joining us from leading regional and national firms, attracted to our corporate structure over the partnership alternative and our fast-emerging national brand, and we have established our reputation as the most compelling acquirer, of scale, in the sector.

As a result, first half underlying PBT is three times our full year equivalent at IPO in April 2018, and we have grown from 430 to 1,335 people since IPO, demonstrating our ability to build value through acquisitions, integration and retaining higher performing people.

It is particularly interesting to see this approach being validated by the considerable levels of investment from private equity in a parallel professional service, accountancy.

Current Trading and Outlook

We have started the second half of the year in line with our expectations, with significant recent client wins and our recruitment momentum underpinning our confidence in delivering further organic growth in the second half.

We have a good pipeline of further hires for the second half, driven by the ever-increasing awareness of the Knights brand and its growing reputation across the UK legal services market. These factors, together with our ongoing focus on operational efficiency and excellence, position us well for a good performance in the second half, delivering full year profits in line with our expectations.

David Beech

CEO

Financial review

The Group has continued to deliver improvements in profits and margin with underlying EBITDA[6] growing by 17.6% in the first half of the year to £21.4m (H1 FY24: £18.2m), representing a 280 basis points increase in underlying EBITDA margin to 27.0% (H1 FY24: 24.2%). The improvement in margin reflects our continued focus on profitable revenue growth, continued cost management and optimisation of synergies as the Group grows.

	6 months ended 31 October 2024 (Unaudited) £'000	6 months ended 31 October 2023 (Unaudited) £'000	%change

Revenue	79,414	75,296	5%
Direct fee earner costs	(38,970)	(39,215)	(1%)
Other direct costs	(378)	(307)	23%
Gross profit	**40,066**	**35,774**	**12%**
Gross profit %	**50.5%**	**47.5%**	
Other operating income	4,857	5,471	(11%)
Other staff costs	(8,727)	(8,610)	1%
Impairment of trade receivables and contract assets	(622)	(131)	375%
Other operating charges	(14,157)	(14,312)	(1%)
Underlying EBITDA[6]	**21,417**	**18,192**	**18%**
Underlying EBITDA %	**27.0%**	**24.2%**	
Depreciation charges under IFRS 16	(2,499)	(2,854)	(12%)
Finance charges under IFRS 16	(1,000)	(713)	40%
Underlying EBITDA post IFRS 16 charges[8]	**17,918**	**14,625**	**23%**
Depreciation and amortisation charges (excluding amortisation on acquired intangibles)	(1,571)	(1,514)	4%
Underlying finance costs	(1,856)	(1,535)	21%
Underlying finance income	126	-	-
Underlying profit before tax[1]	**14,617**	**11,576**	**26%**
Underlying profit before tax margin	**18.4%**	**15.4%**	
Underlying tax charge	(3,691)	(3,004)	23%
Underlying profit after tax[7]	**10,926**	**8,572**	**27%**
Basic underlying EPS (pence)[2]	**12.71**	**9.99**	**27%**

Revenue

Revenue for the half year is £79.4m compared to £75.3m for the same period last year, an increase of 5%. Of this increase, £3.6m is acquisition-related being increased income from FY24 and FY25 acquisitions, with the balance of £0.5m relating to the net organic revenue growth.

Organic revenues

Organic growth in the period was 0.7%. Organic revenue growth excludes income growth from acquisitions in the year of acquisition and for the first full financial year following acquisition based on the fees generated by individuals joining the Group from the acquired business.

The Board is focussed on our long term commitment to positioning ourselves at the premium end of the market by focussing on profitable revenue and reducing less profitable revenue streams. As part of this focus, during the second half of FY24 we made the strategic decision to significantly reduce our restructuring and insolvency team due to lower margins in this area. Excluding the impact of the strategic reduction of revenues in this area, organic growth was 1.8% for the period.

Our continued focus on profitable revenue streams, and moving away from less profitable work streams, has resulted in a 5.9% increase in organic gross profit in the period.

Revenue from acquisitions

At acquisition we typically budget to retain 80% of acquired revenues. In FY24 we acquired Baines Wilson and St James Law. Both acquisitions are performing well with combined revenues from these acquisitions exceeding budget. The acquisition of St James Law provided entry into the Newcastle market which has proved to be an excellent base for recruitment and is delivering strong organic growth opportunities.

In the period to 31 October 2024, we acquired Thursfields Legal Limited expanding our presence in the West Midlands. The acquired business is now fully integrated onto the Group's systems and is performing well, having contributed £3m of revenue in the half year in line with expectations.

Employee costs

Our continued focus on managing our cost base, focus on profitable revenue growth and leveraging our investment in support staff has resulted in a reduction in total staff costs as a percentage of revenue to 60.1% in the period compared to 63.5% in the comparable period last year. This reduction has been achieved through a combination of increased gross margin with direct staff costs reducing to 49.1% of revenue (H1 FY24: 52.1%). We have also started to leverage our support staff costs in the period through the centralisation of a number of business services teams, reducing our support staff costs to 11.0% of revenue (H1 FY24: 11.4%).

Other operating income

Other operating income has reduced in the period to £4.9m (H1 FY24: £5.5m) driven by decreasing interest rates and average client balances held during the period.

Other operating charges

Other operating charges have continued to reduce as a percentage of revenue to 18.3% for the period to 31 October 2024 (H1 FY24: 19.4%; H1 FY23 20.0%) as we continue to consolidate our cost base, optimise synergies from acquisitions and leverage our cost base through continued profitable revenue growth.

Underlying EBITDA[6]

Underlying EBITDA excludes non-underlying operating expenses which consist of transaction and onerous lease expenses in relation to acquisitions, contingent acquisition payments and one-off restructuring and professional expenses mainly incurred in the streamlining of support functions or strategic reorganisations. The Board considers this to be a key metric to measure business performance.

Contingent acquisition payments are treated as a non-underlying expense as this represents payments for acquisitions. These are dependent on the continued employment of certain individuals in the business for an agreed contractual period after an acquisition of one to three years to preserve the acquired goodwill and customer relationships. Accounting standards require such arrangements to be treated as remuneration in the Statement of Comprehensive Income. However, the individuals also receive market rate salaries, therefore, if not separately identified, these payments would significantly distort the reported results.

During the period, underlying EBITDA increased by 18% to £21.4m (H1 FY24: £18.2m) representing an increase in underlying EBITDA margin to 27.0% (H1 FY24: 24.2%). The improved margin is a result of improved gross margin to 50.5% (H1 FY24: 47.5%), leveraging support staff costs and good control of central overheads offset by a reduction in net income received from client balances. Excluding the impact of income received from client interest, underlying EBITDA margin has increased to 21.2% (H1 FY24: 17.3%) demonstrating the improving profitability of the underlying core business.

IFRS 16 depreciation and finance charges

The IFRS 16 depreciation and finance charges reflect the accounting charge in respect of all leases with a term of over one year. The costs in the period have reduced to 4.4% of revenue (H1 FY24 : 4.7%) as we continue to right size our property portfolio through downsizing and subletting of excess space together with organic and acquisitive growth in revenues enabling us to further leverage our property costs.

Depreciation and amortisation charges

The charge in the half year has increased marginally from £1.5m to £1.6m, remaining at 2% of revenue as we continue to invest in our IT and property refurbishments to support the growth of the Group.

Finance charges

Finance charges, excluding lease interest, increased by £0.4m in the period to £1.9m (H1 FY24: £1.5m) as a result of higher average interest rates on our RCF facility over the period together with increased average net debt balances due to cash outflows in relation to acquisitions.

Underlying finance income

This income relates primarily to income recognised from the sub leases of parts of our property portfolio where there was excess space.

Underlying Profit Before Tax (PBT)[1]

Underlying profit before tax excludes amortisation of acquired intangibles, transaction and onerous lease expenses in relation to acquisitions, contingent acquisition payments, disposals of acquired assets, and one off restructuring and professional costs mainly incurred in the streamlining of support functions or strategic reorganisations.

Underlying PBT has been calculated as an alternative performance measure to provide a more meaningful performance measure and to aid year on year comparison of the profitability of the underlying business.

	6 months ended 31 October	**6 months ended 31 October**

	2024 (Unaudited) £'000	2023 (Unaudited) £'000
Profit before tax	8,974	6,892
Amortisation on acquired intangibles	1,869	1,794
Contingent acquisition payments treated as remuneration	1,447	1,548
Other non-underlying costs	2,327	1,342
Underlying profit before tax	**14,617**	**11,576**

The Group's underlying PBT has increased by 26% to £14.6m (H1 FY24: £11.6m).

The underlying profit before tax margin has increased to 18.4% compared to 15.4% in the prior period as a result of the increase in EBITDA margin and the leveraging of IFRS 16 property lease costs, offset by increased finance costs.

Reported profit before tax

The reported profit before tax in the period has increased by 30% to £9.0m (H1 FY24: £6.9m) driven by an increase in underlying profit before tax of £3.0m offset by increased amortisation on acquired intangibles and non-underlying costs of £0.9m.

Taxation

The corporation tax charge for the period was £2.8m (H1 FY24: £2.3m) reflecting a reduced effective rate of tax of 32% (H1 FY24 34%) due to lower disallowable expenditure in this half year relative to the comparable period last year.

The effective rate of tax on the underlying profit of the business was 25% (H1 FY24: 26%) in line with current corporation tax rates.

Earnings per Share (EPS)

Basic EPS in the period increased by 34% to 7.14p (H1 FY24: 5.34p) per share. Taking account of the dilutive impact of potential share options, the basic Diluted EPS has increased by 32% to 6.87p (H1 FY24: 5.21p) per share.

To enable a comparison of year-on-year underlying performance, excluding any one off items, the underlying EPS has also been calculated. The basic underlying EPS[2] has increased by 27% to 12.71p (H1 FY24: 9.99p) per share. The weighted average number of shares used to calculate the undiluted EPS for the half year was 85,934,299 (H1 FY24: 85,816,798).

Dividend

In line with the Group's progressive dividend policy, reflecting the improved performance of the Group balanced with the Board's strategy to continue to reinvest profits of the Group to fund future growth plans, the Board has declared an interim dividend of 1.76p per share (H1 FY24: 1.61p per share).

This will be a cash only dividend, payable on 14 March 2025 to all shareholders on the register on 14 February 2025.

Balance Sheet

	31 October 2024 (Unaudited) £'000	31 October 2023 (Unaudited) £'000	30 April 2024 (Audited) £'000
Intangible assets and goodwill	90,877	88,615	86,900
Right-of-use assets	37,287	35,770	34,034
Investments	50	-	50
Loan to joint venture	2,500	-	2,523
Property, plant and equipment	19,895	11,750	14,896
Assets held for sale	171	-	-
Working capital	63,709	57,185	53,125
Other provisions and deferred tax	(15,476)	(14,541)	(14,590)
Lease liabilities net of lease receivables	(42,103)	(40,394)	(38,573)
	156,910	**138,385**	**138,365**
Cash and cash equivalents	4,075	6,333	5,453
Borrowings	(54,139)	(44,620)	(40,617)
Net debt[5]	**(50,064)**	**(38,287)**	**(35,164)**
Deferred consideration	(2,399)	(3,997)	(2,941)
Net assets	**104,447**	**96,101**	**100,260**

The Group's net assets increased by £4.1m from £100.3m as at 30 April 2024 to £104.4m as at 31 October 2024. This increase was primarily due to profits generated in the half year to 31 October 2024 less the final dividend paid in respect of the year ended 30 April 2024 of £2.4m. Assets held for resale relate to investments acquired as part of the Thursfields acquisition that will be realised post period end.

Working capital and cash management

	31 October 2024 £'000	31 October 2023 £'000	30 April 2024 £'000
Contract assets	48,857	43,587	40,191
Trade and other receivables	33,009	30,516	32,753
Corporation tax asset	915	1,239	304
Total current assets	**82,781**	**75,342**	**73,248**
Trade and other payables	(18,901)	(17,949)	(19,935)
Contract liabilities	(171)	(208)	(188)
Total current liabilities	**(19,072)**	**(18,157)**	**(20,123)**
Net working capital	**63,709**	**57,185**	**53,125**

Net working capital has increased by £6.5m to £63.7m as at 31 October 2024 (31 October 2023: £57.2m). Of this increase £1.1m related to working capital acquired on the acquisition of Thursfields. The remaining increase relates to increased contract assets, net of acquisitions, of £3.3m primarily in our CL Medilaw business due to continued strong growth in this area along with an increase in trade and other receivables, net of acquired balances, primarily driven by timing of bills and an increase in debtor days from 31 days as at 31 October 2023 to 33 days as at 31 October 2024. This increase in working capital from contract assets and trade and other receivables is offset by a decrease in the corporation tax asset of £0.3m and a decrease in trade and other payables, net of acquired balances, of £0.7m due to timing of payments.

The management of lock up[3] continues to be an important KPI for the Group. As at 31 October 2024 lock up was 98 days (31 October 2023: 93 days) being 33 debtor days and 65 WIP days (31 October 2023: 31 debtor days and 62 WIP days). These calculations exclude the WIP on CL Medilaw and Insolvency matters as generally the amount of time it takes to conclude these matters is significantly longer than for other work types in the Group. To include the WIP on these matters in our KPI reporting would significantly distort the reported figures and therefore could distract the majority of the business from focussing on continuing to maintain its excellent lock up discipline. If the WIP were to be included in the lock up calculations for all matters this would give total lock up days, with no exclusions, of 144 days as at 31 October 2024 (31 October 2023: 136 days) reflecting an increase in the level of WIP in our CL Medilaw business as this work type continues to grow.

Cash Flow

Cash Flow	6 months ended 31 October 2024 (Unaudited) £'000	6 months ended 31 October 2023 (Unaudited) £'000
Underlying EBITDA	21,417	18,192
Change in working capital	(8,388)	(6,074)
Cash outflow for IFRS 16 leases	(2,957)	(3,303)
Movement in underlying share-based payment charge	445	852
Cash generated from underlying operations (pre-tax)	**10,517**	**9,667**
Tax paid	(3,617)	(3,754)
Net cash generated from underlying operating activities	**6,900**	**5,913**
Underlying profit after tax[7]	**10,926**	**8,572**
Underlying cash conversion[4]	**63%**	**69%**

Cash generation remains a key focus for the Board and management team. This continued focus and management of lock up generated underlying operating cashflows of £6.9m in the period being a conversion rate of 63% on underlying profits. This good cash generation in the period has resulted in net debt of £50.1m as at 31 October 2024 (31 October 2023: £38.3m) after a cash outlay of £8.9m relating to acquisition consideration in the period and a £6.2m outlay on capital expenditure in the period.

The table below shows a reconciliation of the key cash flow movements impacting the movement in net debt from 30 April 2024.

Net debt[5]

	£'000
Net debt 30 April 2024	35,164
Other net cash (inflows) from operating activities	(6,900)
Deferred and contingent acquisition payments	2,488

Deferred and contingent acquisition payments	2,488
Consideration paid for acquisitions in the period (including acquired debt and cash)	6,387
Non-underlying costs paid	2,468
Interest on borrowings	1,882
Dividends paid	2,396
Capital expenditure (net of landlord contributions)	6,179
Net debt as at 31 October 2024	**50,064**

At £50.1m, this level of debt was in line with internal budgets as at 31 October 2024 with leverage for bank covenant purposes at 1.4 times EBITDA (as defined for covenant purposes) which is well within our banking covenants.

On 19 November 2024 we extended our existing revolving credit facility with HSBC UK, AIB (GB) and NatWest to provide total committed funding of £100m until November 2027. Terms and interest margins remain the same with applicable margins over SONIA of between 1.65% and 2.55% depending on leverage.

With these extended facilities the Group is in a strong financial position with sufficient headroom and flexibility within our financing arrangements to enable us 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 2024

	Note	6 months ended 31 October 2024 (Unaudited) £'000	6 months ended 31 October 2023 (Unaudited) £'000	Year ended 30 April 2024 (Audited) £'000
Revenue		**79,414**	75,296	149,957
Other operating income		**4,857**	5,471	10,439
Staff costs*	3	**(47,697)**	(47,825)	(93,007)
Depreciation and amortisation charges*	4	**(4,070)**	(4,368)	(8,510)
Impairment of trade receivables and contract assets		**(622)**	(131)	(489)
Other operating charges*	5	**(14,535)**	(14,619)	(28,218)
Operating profit before non-underlying costs and amortisation on acquired intangibles		**17,347**	13,824	30,172
Amortisation on acquired intangibles	4	**(1,869)**	(1,794)	(3,580)
Non-underlying operating costs	6	**(3,711)**	(2,818)	(6,630)
Operating profit		**11,767**	9,212	19,962
Finance costs*	7	**(2,898)**	(2,280)	(4,939)
Finance income	8	**168**	32	89
Non-underlying finance costs	6	**(63)**	(72)	(281)
Net finance costs		**(2,793)**	(2,320)	(5,131)
Profit before tax		**8,974**	6,892	14,831
Taxation - underlying*		**(3,691)**	(3,004)	(6,598)
Tax impact of non-underlying costs		**852**	691	1,614
Taxation		**(2,839)**	(2,313)	(4,984)
Profit and total comprehensive income for the period attributable to equity owners of the parent		**6,135**	4,579	9,847
Earnings per share		**Pence**	Pence	Pence
Basic earnings per share	9	**7.14**	5.34	11.47
Diluted earnings per share	9	**6.87**	5.21	11.11

* Excluding non underlying items and amortisation on acquired intangibles

Knights Group Holdings plc
Consolidated Statement of Financial Position
As at 31 October 2024

	31 October 2024 (Unaudited) £'000	31 October 2023 (Unaudited) £'000	30 April 2024 (Audited) £'000
Assets			
Non-current assets			
Intangible assets and goodwill	**90,877**	88,615	86,900
Investments	**50**		50

Investments	**50**	-	50
Property, plant and equipment	**19,895**	11,750	14,896
Right-of-use assets	**37,287**	35,770	34,034
Finance lease receivables	**1,486**	1,509	1,633
Trade and other receivables	**2,500**	-	2,523
	152,095	137,644	140,036
Current assets			
Assets held for sale	**171**	-	-
Contract assets	**48,857**	43,587	40,191
Trade and other receivables	**33,009**	30,516	32,753
Finance lease receivables	**366**	320	364
Corporation tax asset	**915**	1,239	304
Cash and cash equivalents	**4,075**	6,333	5,453
	87,393	81,995	79,065
Total assets	**239,488**	219,639	219,101
Equity and liabilities			
Equity			
Share capital	**171**	171	171
Share premium	**75,262**	75,262	75,262
Merger reserve	**(3,506)**	(3,506)	(3,506)
Retained earnings	**32,520**	24,174	28,333
Equity attributable to owners of the parent	**104,447**	96,101	100,260
Non-current liabilities			
Lease liabilities	**38,926**	36,917	35,389
Borrowings	**53,808**	394	40,149
Deferred consideration	**550**	1,502	350
Deferred tax	**8,923**	8,101	8,288
Provisions	**3,686**	4,141	3,968
	105,893	51,055	88,144
Current liabilities			
Lease liabilities	**5,029**	5,306	5,181
Borrowings	**331**	44,226	468
Trade and other payables	**18,901**	17,949	19,935
Deferred consideration	**1,849**	2,495	2,591
Contract liabilities	**171**	208	188
Provisions	**2,867**	2,299	2,334
	29,148	72,483	30,697
Total liabilities	**135,041**	123,538	118,841
Total equity and liabilities	**239,488**	219,639	219,101

Knights Group Holdings plc

Consolidated Statement of Changes in Equity

For the 6 month period ended 31 October 2024

	Attributable to equity holders of the Parent				
	Share capital £'000	**Share premium £'000**	**Merger reserve £'000**	**Retained earnings £'000**	**Total £'000**
Balance at 1 May 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
Profit for the period and total comprehensive income	-	-	-	5,268	5,268
Transactions with owners in their capacity as owners:					
Credit to equity for equity-settled share-based payments	-	-	-	272	272
Dividends	-	-	-	(1,381)	(1,381)
Balance at 30 April 2024 (audited)	171	75,262	(3,506)	28,333	100,260
Profit for the period and total comprehensive income	**-**	**-**	**-**	**6,135**	**6,135**
Transactions with owners in their capacity as owners:					
Credit to equity for equity-settled share-based payments	**-**	**-**	**-**	**448**	**448**
Dividends	**-**	**-**	**-**	**(2,396)**	**(2,396)**
Balance at 31 October 2024 (unaudited)	**171**	**75,262**	**(3,506)**	**32,520**	**104,447**

Knights Group Holdings plc

Consolidated Statement of Cash Flows

For the 6 month period ended 31 October 2024

	Note	6 months ended 31 October 2024 (Unaudited) £'000	6 months ended 31 October 2023 (Unaudited) £'000	Year ended 30 April 2024 (Audited) £'000
Operating activities				
Cash generated from operations	11	**13,474**	12,970	36,254
Non-underlying operating costs paid	6	**(2,468)**	(2,053)	(4,246)
Tax paid		**(3,617)**	(3,754)	(5,432)
Contingent acquisition payments		**(1,123)**	(2,229)	(3,745)
Net cash from operating activities		**6,266**	4,934	22,831
Investing activities				
Acquisition of subsidiaries (net of cash acquired)		**(6,424)**	(1,888)	(1,888)
Disposal of assets held for sale		**37**	-	-
Other loans made		**-**	-	(2,500)
Investment in joint venture		**-**	-	(50)
Purchase of intangible fixed assets		**(24)**	(25)	(40)
Purchase of property, plant and equipment		**(6,117)**	(2,835)	(8,165)
Proceeds from lease receivables		**230**	188	405
Payment of deferred consideration		**(1,365)**	(1,167)	(2,417)
Net cash used in investing activities		**(13,663)**	(5,727)	(14,655)
Financing activities				
Proceeds of borrowings		**21,500**	15,450	23,200
Repayment of borrowings		**(7,550)**	(4,650)	(16,325)
Repayment of debt acquired with current year subsidiaries		**-**	(661)	(661)
Repayment of debt acquired with prior year subsidiaries		**(428)**	(86)	(166)
Landlord capital contribution		**40**	225	396
Associated lease costs		**(78)**	(26)	(72)
Repayment of lease liabilities		**(2,271)**	(2,747)	(5,113)
Interest and other finance costs paid		**(2,798)**	(2,280)	(4,502)
Dividends paid		**(2,396)**	(2,144)	(3,525)
Net cash from/(used in) financing activities		**6,019**	3,081	(6,768)
Net (decrease)/increase in cash and cash equivalents		**(1,378)**	2,288	1,408
Cash and cash equivalents at the beginning of the period		**5,453**	4,045	4,045
Total cash and cash equivalents at end of period		**4,075**	6,333	5,453

Knights Group Holdings plc

Notes to the Consolidated Interim Financial Statements

For the 6 month period ended 31 October 2024

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 2024 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 2025.

The Group's statutory financial statements for the year ended 30 April 2024, 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 13 January 2025.

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 banking facilities of £100,000,000, available until November 2027. 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 2024 (Unaudited) £'000	6 months ended 31 October 2023 (Unaudited) £'000	Year ended 30 April 2024 (Audited) £'000
Employee costs	**47,694**	47,291	93,221
Share-based payment charge	**448**	859	1,131
Aggregate remuneration of employees	**48,142**	48,150	94,352
Redundancy costs and share-based payment charges analysed as non-underlying costs (note 6)	**(445)**	(325)	(1,345)
Underlying staff costs in Consolidated Statement of Comprehensive Income	**47,697**	47,825	93,007

4. Depreciation and amortisation charges

	6 months ended 31 October 2024 (Unaudited) £'000	6 months ended 31 October 2023 (Unaudited) £'000	Year ended 30 April 2024 (Audited) £'000
Depreciation	**1,457**	1,294	2,656
Depreciation of right-of-use assets	**2,499**	2,854	5,607
Amortisation on computer software	**54**	51	103
Loss on disposal of property, plant and equipment	**60**	169	144
Underlying depreciation and amortisation charges in Consolidated Statement of Comprehensive Income	**4,070**	4,368	8,510
Amortisation on acquired intangibles	**1,869**	1,794	3,580
	5,939	6,162	12,090

Amortisation on acquired intangibles has been separately identified within overall depreciation and amortisation charges as it is deemed to be a non-underlying cost, on the basis that it relates to acquisitions. As such for the period ended 31 October 2023 it has been reclassified to enable clearer presentation of the non-underlying items included within operating profit. This has not resulted in any change to reported operating profit.

5. Other operating charges

	6 months ended 31 October 2024 (Unaudited) £'000	6 months ended 31 October 2023 (Unaudited) £'000	Year ended 30 April 2024 (Audited) £'000
Establishment costs	**4,065**	3,900	7,775
Short term and low value lease costs	**113**	147	247
Other overhead expenses	**10,357**	10,572	20,196
	14,535	14,619	28,218

6. Non-underlying costs

	6 months ended 31 October 2024 (Unaudited) £'000	6 months ended 31 October 2023 (Unaudited) £'000	Year ended 30 April 2024 (Audited) £'000
Redundancy and reorganisation staff costs	**442**	318	1,335

Redundancy and reorganisation staff costs	**442**	318	1,335
Share-based payment charges	**3**	7	10
Contingent acquisition payments treated as remuneration	**1,447**	1,548	2,824
Impairment of right-of-use assets	**-**	153	153
Loss/(Profit) on disposal of right-of-use assets	**137**	(54)	(125)
Loss on disposal of property, plant and equipment	**149**	84	930
Transaction costs	**1,533**	762	1,503
Non-underlying operating costs	**3,711**	2,818	6,630
Non-underlying finance costs	**63**	72	281
	3,774	2,890	6,911

Non-underlying costs cash movement

	6 months ended 31 October 2024 (Unaudited) £'000	**6 months ended 31 October 2023 (Unaudited) £'000**	**Year ended 30 April 2024 (Audited) £'000**
Non-underlying costs	**3,774**	2,890	6,911
Adjustments for:			
Contingent acquisition payments shown separately	**(1,447)**	(1,548)	(2,824)
Non-cash movements:			
Share-based payment charge	**(3)**	(7)	(10)
Impairment of right-of-use assets	**-**	(153)	(153)
(Loss)/Profit on disposal of right-of-use assets	**(10)**	54	449
(Loss) on disposal of property, plant and equipment	**(149)**	(84)	(930)
Transaction costs	**(63)**	-	(443)
Non-underlying finance costs	**(63)**	(72)	(281)
Additional cash movements:			
Rental payments on onerous leases	**193**	335	605
Service charge payments on onerous leases	**56**	48	104
Dilapidation payments	**180**	590	818
	2,468	2,053	4,246

Non-underlying costs relate to redundancy costs to streamline the support function of the Group following acquisitions or strategic reorganisations, transaction costs in respect of 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.

Contingent acquisition payments are 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 Consolidated 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 2024 (Unaudited) £'000	**6 months ended 31 October 2023 (Unaudited) £'000**	**Year ended 30 April 2024 (Audited) £'000**
Interest on borrowings	**1,856**	1,535	3,402
Interest on leases	**1,042**	745	1,537
	2,898	2,280	4,939

8. Finance income

	6 months ended 31 October 2024 (Unaudited) £'000	**6 months ended 31 October 2023 (Unaudited) £'000**	**Year ended 30 April 2024 (Audited) £'000**
Loan interest receivable	**126**	-	23
Lease interest receivable	**42**	32	66
	168	32	89

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	**6 months ended**	**Year ended**

	31 October 2024 (Unaudited) Number	31 October 2023 (Unaudited) Number	30 April 2024 (Audited) Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**85,934,299**	85,816,798	85,840,067
Effect of dilutive potential ordinary shares:			
Share options	**3,300,000**	2,075,973	2,778,654
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**89,234,299**	87,892,771	88,618,721
	£'000	£'000	£'000
Profit after tax	**6,135**	4,579	9,847
Earnings per share	**Pence**	Pence	Pence
Basic earnings per share	**7.14**	5.34	11.47
Diluted earnings per share	**6.87**	5.21	11.11

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 2024 (Unaudited) £'000	6 months ended 31 October 2023 (Unaudited) £'000	Year ended 30 April 2024 (Audited) £'000
Profit after tax	**6,135**	4,579	9,847
Amortisation on acquired intangibles	**1,869**	1,794	3,580
Non-underlying costs	**3,774**	2,890	6,911
Tax impact of non-underlying costs	**(852)**	(691)	(1,614)
Underlying profit after tax	**10,926**	8,572	18,724
Underlying earnings per share	**Pence**	Pence	Pence
Basic underlying earnings per share	**12.71**	9.99	21.81
Diluted underlying earnings per share	**12.24**	9.75	21.13

10. Acquisitions

Thursfields Legal Limited ('Thursfields')

On 25 July 2024 the Group exchanged contracts to acquire Thursfields by purchasing the shares of the entity. This acquisition completed on 14 September 2024. Thursfields is a law firm which will significantly strengthen Knights' presence in the West Midlands.

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	-	1,627	1,627
Property, plant and equipment	552	(3)	549
Assets held for sale	208	-	208
Right-of-use assets	-	602	602
Contract assets	1,947	-	1,947
Trade and other receivables	776	-	776
Cash and cash equivalents	3,899	-	3,899
Liabilities			
Trade and other payables	(1,662)	-	(1,662)
Lease liabilities	-	(602)	(602)
Provisions	(222)	5	(217)
Deferred tax	(4)	(407)	(411)
Total identifiable assets and liabilities	**5,494**	**1,222**	**6,716**
Goodwill			4,406
Total consideration			**11,122**

Satisfied by:	
Cash	10,323
Deferred consideration	799
Total consideration transferred	**11,122**
Net cash outflow arising on acquisition:	
Cash consideration (net of cash acquired)	6,424
Net cash outflow arising on acquisition	**6,424**

Intangibles relating to customer relationships of £1,627,000 has been arrived at using the excess earnings method. The goodwill of £4,406,000 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 with the Group therefore 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 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 £4,117,000 and is payable in equal instalments on the first, second and third anniversary of completion.

There are also undiscounted deferred consideration payments totalling £883,000 outstanding. This is payable in instalments on the first, second and third anniversaries of completion.

Thursfields contributed £3,044,000 of revenue to the Group's Statement of Comprehensive Income for the period from 1 May 2024 to 31 October 2024. 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 14 September 2024.

11. Reconciliation of profit to net cash generated from operations

	6 months ended 31 October 2024 (Unaudited) £'000	6 months ended 31 October 2023 (Unaudited) £'000	Year ended 30 April 2024 (Audited) £'000
Profit before taxation	**8,974**	6,892	14,831
Adjustments for:			
Amortisation on computer software	**54**	51	103
Amortisation on acquired intangibles	**1,869**	1,794	3,580
Depreciation - property, plant and equipment	**1,457**	1,294	2,656
Depreciation - right-of-use assets	**2,499**	2,854	5,607
Loss on disposal of property, plant and equipment	**60**	169	144
Contingent acquisition payments	**1,447**	1,548	2,824
Other non-underlying operating costs	**2,264**	1,270	3,806
Non-underlying finance costs	**63**	72	281
Share-based payment charge	**445**	852	1,121
Finance income	**(168)**	(32)	(89)
Finance costs	**2,898**	2,280	4,939
Operating cash flows before movements in working capital	**21,862**	19,044	39,803
(Increase) in contract assets	**(6,719)**	(5,028)	(1,632)
Decrease/(increase) in trade and other receivables	**648**	1,420	(767)
Increase in provisions	**325**	170	29
(Decrease) in contract liabilities	**(17)**	(11)	(29)
(Decrease) in trade and other payables	**(2,625)**	(2,625)	(1,150)
Cash generated from operations	**13,474**	12,970	36,254

12. Alternative performance measures

Underlying EBITDA is calculated as follows:

	6 months ended 31 October 2024 (Unaudited) £'000	6 months ended 31 October 2023 (Unaudited) £'000	Year ended 30 April 2024 (Audited) £'000
Operating profit	**11,767**	9,212	19,962
Depreciation and amortisation charges (note 4)	**5,939**	6,162	12,090
Non-underlying operating costs (note 6)	**3,711**	2,818	6,630
Underlying EBITDA	**21,417**	18,192	38,682
Depreciation of right-of-use assets (note 4)	**(2,499)**	(2,854)	(5,607)
Interest on leases (note 7)	**(1,042)**	(745)	(1,537)
Lease interest receivable (note 8)	**42**	32	66
Underlying EBITDA post IFRS 16	**17,918**	14,625	31,604

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

	6 months ended 31 October 2024 (Unaudited) £'000	6 months ended 31 October 2023 (Unaudited) £'000	Year ended 30 April 2024 (Audited) £'000
Profit before tax	**8,974**	6,892	14,831
Amortisation on acquired intangibles (note 4)	**1,869**	1,794	3,580
Non-underlying operating costs (note 6)	**3,711**	2,818	6,630
Non-underlying finance costs (note 6)	**63**	72	281
Underlying profit before tax	**14,617**	11,576	25,322

Net debt is calculated as follows:

	6 months ended	6 months ended	Year ended

	31 October 2024 (Unaudited) £'000	31 October 2023 (Unaudited) £'000	30 April 2024 (Audited) £'000
Borrowings	**54,139**	44,620	40,617
Cash and cash equivalents	**(4,075)**	(6,333)	(5,453)
Net debt	**50,064**	38,287	35,164

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 2024 (Unaudited) £'000	6 months ended 31 October 2023 (Unaudited) £'000	Year ended 30 April 2024 (Audited) £'000
Cash generated from operations (note 11)	**13,474**	12,970	36,254
Tax paid	**(3,617)**	(3,754)	(5,432)
Net underlying cash outflow for IFRS 16 leases	**(2,957)**	(3,303)	(6,245)
Free cash flow	**6,900**	5,913	24,577
Underlying profit after tax (note 9)	**10,926**	8,572	18,724
Cash conversion (%)	**63%**	69%	131%

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