

Corporate Governance

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Governance

An Introduction from our Chairman

The Directors acknowledge the importance of high standards of corporate governance and with this in mind I'm pleased to present the Corporate Governance Statement on behalf of the Board.

There have been some changes in Board composition during the year and I would like to welcome Jane Pateman who joined the board as an additional Non-Executive Director on 14 January 2019, as Chair of the Remuneration Committee and as a member of the Audit Committee as a result of Richard King, previously a Non-Executive Director of the Board, having made the welcome move to become our Chief Operating Officer.

Richard King brings a strong combination of skills and experience in leading the scaling up of business services, HR and sales as well as digitisation and acquisition integration in both large-scale global corporations, including Procter & Gamble and Shell, and a start-up B2B cloud services provider, Transora. His appointment to this Executive role will enable our Chief Executive Officer to focus on driving the continued growth of the Groups professional services revenue streams.

Jane Pateman brings 17 years' experience in senior HR roles at listed businesses including Centrica and British Gas, and culminating in her current role as Group HR Director at Biffa plc where she has been responsible for developing the People Strategy for approximately 8000 employees across 4 operating divisions. As we are a people business, Jane will bring a wealth of experience to the strategy for driving recruitment across the business and to developing a programme for employee incentivisation.

“

As Chairman my principal role is to lead the Board to ensure that it has in place the strategy, people, structure and culture to deliver value to all of its stakeholders.

We consider that the additional blend of skills provided to the business as a result of these changes, in addition to those skills already present within the Board will assist in the strategic direction of the Group and the delivery of shareholder value.”

Board of Directors



David Beech
Chief Executive Officer

A corporate lawyer and former manager of a private equity fund, David joined Knights in 2011 with the vision to transform the business into the UK's number one legal and professional services business outside London.

David acquired and remodelled Knights in 2012 with a clear strategy to transform the business into a growth platform. Knights became a pioneer in the UK legal sector being one of the first law firms to secure external funding in 2012 to fully corporatise the business and create a clear separation between ownership/ management and partners.



Richard King
Chief Operating Officer

Richard has extensive experience of transforming operating models, integrating acquisitions and exploiting technology to scale-up and deliver operational efficiency in large enterprises such as Procter & Gamble, Shell and a B2B cloud services start-up (Transora).

Previously, Richard was European Commercial Capabilities Director at Procter & Gamble.



Kate Lewis
Chief Financial Officer

Kate qualified as a Chartered Accountant and has been a member of the ICAEW since 1996 having trained as an accountant at Dean Statham. Kate spent over 10 years as an Audit Manager at Baker Tilly and KPMG.

Kate joined Knights in 2012 as Finance Director, overseeing the Knights' corporatisation and subsequent refinancing with both Allied Irish Bank and Permira and the IPO in June 2018.



Balbinder ('Bal') Johal
Non-Executive Chairman

Bal is CEO of MML Capital Partners, an international private equity firm based in London, New York, Paris and Dublin. Bal has led a number of investments for MML including investments into CSI Ltd, PIE/PSG Group, Banner Group, Arena Group (now plc), Clean Linen & Workwear, Instant Offices, Optionis Group, ParkingEye and The Regard Partnership and worked on others including Vanguard, EiC and Redmill Snack Foods. Bal is a Director on the Board of most of these companies.

Prior to MML, Bal was Investment Director at 3i leading a range of high-profile investments such as SmartStream, Jungle.com, Workplace Systems plc, Telecity, Complete Care and Recognition. Bal started his career as a Management Consultant with Accenture later working as a Financial Analyst at HSBC.



Steve Dolton
Senior Independent
Non-Executive Director

Steve qualified as a Chartered Accountant and has been a member of the ICAEW since 1989 having qualified with Grant Thornton. He has spent over 20 years in senior financial roles including CFO of NAHL plc, NSL Services Group, Azzurri Communications, Safety Kleen Europe, Walker Dickson Group and Peek plc (including a 2 year period in Asia as Regional Controller).

He is also currently Chairman of the Go Inspire Group and was previously a Non-Executive Director of Oxford United Football Club until its sale in February 2018.

Steve is Chair of the Audit Committee and sits on the Remuneration Committee.



Jane Pateman
Non-Executive Director

Jane brings 17 years' experience in senior HR roles at listed businesses including Centrica and British Gas, and culminating in her current role as Group HR Director at Biffa plc where she has been responsible for developing the People Strategy for approximately 8000 employees across 4 operating divisions.

Jane has a strong track record in driving business benefits through the development and delivery of human capital strategies. During her 8 years at Biffa, she has provided significant support in delivering solutions during major growth periods, including during its IPO as well as driving people and cultural integration for the multiple acquisitions Biffa has made over the past 5 years.

Jane chairs the Remuneration Committee and also sits on the Audit Committee.

Corporate Governance Statement

Corporate Governance Codes

Given the Group's size and the constitution of the Board, the Board have chosen to comply with the principles set out in the Corporate Governance Code for small and mid-sized companies published by the Quoted Companies Alliance in April 2018 (the QCA Code) as the basis of the Group's governance framework. We believe that the adoption of the QCA Code is a pragmatic and proportionate set of governing guidelines which are proportionate to the risks, complexity and operations of the business.

Board Composition

The Board comprises 6 Directors, 3 of whom are Executive Directors and 3 of whom are Non-Executive Directors, reflecting a blend of different experiences and backgrounds further details of which are set out on page 58 and 59. The Board believes that the composition of the Board brings a desirable range of skills and experience in light of the Group's challenges and opportunities as a public company, while at the same time ensuring that no individual (or a small group of individuals) can dominate the Board's decision-making.

To leverage Richard King's vast experience in scaling operations the Board chose to appoint Richard King as an Executive Director and consequently appointed an additional Non-Executive Director to ensure that the appropriate level of independence is maintained at Board level.

Operation of the Board

The Board is responsible for delivering the Group's strategy and for its overall management of the business and meets regularly to review, formulate and approve the Group's strategy, budgets, corporate actions and to constructively challenge the Executive Directors who are responsible for the day-to-day running of the Group. The operation of the Board is documented in a formal schedule of matters reserved for its approval which will be reviewed annually to ensure that it remains current in light of changes to legislation and within the sector that the Group operates within.

Directors are expected to attend all meetings of the Board and of the Committees on which they sit, and to devote sufficient time to enable them to fulfil their roles as Directors. In circumstances where Directors are unable to attend any meeting they are provided all papers to be considered at that meeting and can provide any comments in advance of any meeting for consideration by the rest of the Board. The table below details the Director's attendance at scheduled monthly Board and Committee meetings since our IPO:

Name	Board	Remuneration	Audit
Balbinder Johal	9/10	1/8 ³	
David Beech	10/10	–	
Jane Pateman	5/5 ¹	2/8	1/2
Kate Lewis	9/10	–	2/2 ²
Richard King	10/10	5/8	1/2
Steve Dolton	10/10	8/8	2/2

Remuneration Committee members: Jane Pateman (Chair), Steve Dolton. **Audit Committee members:** Steve Dolton (Chair), Jane Pateman.

¹ Jane Pateman was appointed on 14 January 2019 as a Director, as a Representative of the Audit Committee and as Chair of the Remuneration Committee. Richard King stepped down from the Audit Committee and as Chair of the Remuneration Committee on the 14th January 2019.

² Kate attends audit committee by invitation.

³ Bal Johal is not a member of the Remuneration Committee but attends by invitation as necessary.

The Board also intends to hold annual strategy days to review the strategic priorities and growth opportunities for the business, outside of the scheduled meetings and the first of those strategy days is scheduled to take place in September 2019.

The Company Secretary supports the Board with compliance and governance matters and ensures that all Directors are aware of their right to have any concerns minuted and to seek independent advice at the Group's expense where appropriate.

Committees

The Group has established an audit committee (the Audit Committee) and a remuneration committee (the Remuneration Committee) with formally delegated duties, authority, and responsibilities, and written terms of reference. These terms of reference are kept under review to ensure that they remain appropriate and compliant with changes to legislation.

Each Committee is comprised of the Non-Executive Directors (excluding the Chair) with Steve Dolton chairing the Audit Committee and Jane Pateman chairing the Remuneration Committee. Each Committee has unrestricted access to employees of the business or external advisors to meetings, to the extent that they consider it necessary in relation to any specific matter under consideration. Both Committees have sought to utilise external advice with the Remuneration Committee liaising with FIT Remuneration Consultants LLP for the purposes of advising on the terms of the performance share awards granted to Richard King following his move to an Executive Director role within the business, and the Audit Committee meeting with RSM, the Group's auditors, both with and without the presence of Executive Directors.

Remuneration Committee

The Remuneration Committee is responsible for:

- Reviewing the performance of the Executive Directors and making recommendations to the Board on matters relating to their employment and remuneration.
- The granting of share options under the Group's Omnibus Plan or any other share scheme which it may adopt.

Audit Committee

The Audit Committee is responsible for:

- Ensuring the financial performance of the Group is properly reported on.
- Monitoring the internal controls of the business.

Each of the Committees meets regularly and at least 2 times a year and the Chief Financial Officer also attends meetings of the Audit Committee by invitation to discuss any matters of relevance.

The Board has elected not to constitute a dedicated nomination committee, instead retaining such decision-making with the Board as a whole, and using external advisors to introduce any other individuals with skills that the Board believe may be required in delivering its overall strategy.

The Board has also constituted a disclosure committee (the Disclosure Committee) to enforce the Knights Groups' inside information policy and ensure compliance with the Market Abuse Regulation (MAR) and the AIM Rules for Companies in respect of inside information.

Board Effectiveness and Culture

The Board will conduct an internal review to evaluate its effectiveness and relevance, and that of its Committees with the first such review taking place in the Autumn following the first anniversary of the IPO. This review will focus on the effectiveness of the Board in setting the strategy, approach to risk management, the skill sets of the Board members and their use within the business, and the balance of decision-making within the business.

The Board carry a breadth of experience in sectors outside of the legal services market with strengths aligned with enhancing Knights' culture.

Internal Controls and Risk Management

Internal Control

The Group has implemented policies on internal control and corporate governance. These have been prepared in order to ensure that:

- Proper business records are maintained and reported on, which might reasonably affect the conduct of the business.
- Monitoring procedures for the performance of the Group are presented to the Board at regular intervals.
- Budget proposals are submitted to the Board no later than 1 month before the start of each financial year.
- Accounting policies and practices suitable for the Groups activities are followed in preparing the financial statements.
- The Group is provided with general accounting, administrative and secretarial services as may reasonably be required.
- Interim and annual accounts are prepared and submitted in time to enable the Group to meet statutory filing deadlines.

The Group continues to review its system of internal controls to ensure compliance with best practice, whilst also having regard to its size and the resources available.

Corporate Governance Statement continued

Relations with Stakeholders

The Board is aware that the long-term success of the Group is reliant upon its employees, clients, shareholders, suppliers and regulators and as such the Group maintains consistent communication with these stakeholders to ensure that its continued growth in accordance with its strategy reflects their needs and expectations as well as those of the Group.

The Group encourages regular feedback from its clients and tracks its net promoter score to indicate the willingness of clients to recommend the Group's services. Based on client responses of the top 250 clients, the Group's net promoter score was 69 out of 100 which is considered above average amongst its peer group. As a business we are investigating automating this process so that the Group has live information at the end of each engagement of the level of client satisfaction although this at present remains under development.

The Group also endeavours to ensure that clients are met with regularly to canvas their opinion on the service levels received and provide any feedback as to how these relationships and/or services can be improved. The Group has a strong track record of retaining deep client relationships with some of these relationships being in excess of 25 years across a number of service lines provided within the Group's business.

The Group's business places a strong reliance on technology and consequently the Group works closely with its practice management system provider to enhance the practice management platform for the benefit of the Group which in turn benefits our supplier's technology.

The Group also has a regular dialogue with its regulator, the Solicitors Regulatory Authority (SRA) given its acquisitive nature and this constant transparent communication has enabled the Group to deliver 4 acquisitions within the financial year.

The Executive Directors meet with the institutional shareholders both on an ad hoc basis and on a more structured basis around the publication of the Group's interim and end of year results. General information about the Group is available on the website at www.knightsplc.com but both the Chair and Steve Dolton as Senior Independent Non-Executive Director are available to discuss any matter any shareholder may wish to raise if required.



Annual General Meeting (AGM)

The AGM of the Group will take place on the 24th September 2019 and the Notice of Annual General Meeting which includes the associated resolutions accompany this Annual Report.



Remuneration Committee Report

Jane Pateman
Chair of the
Remuneration
Committee

Dear Shareholder,

I am pleased to present the Directors' Remuneration Report for the year ended 30 April 2019.

I chair the Remuneration Committee, having taken over from Richard King when I joined the Group as an independent Non-Executive Director in January. Steve Dolton, who is also an independent Non-Executive Director, is the other current member of the Committee.

Responsibilities

The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time.

The Remuneration Committee meet and when necessary and met 8 times during the year.

In exercising their role, the Board have regard to the recommendations put forward in the QCA Code and, where appropriate, the QCA Remuneration Committee Guide and associated guidance.

During the year FIT Remuneration Consultants (FIT) provided the Committee with external remuneration advice, including on all aspects of remuneration policy for the Executive Directors. The Remuneration Committee is satisfied that the advice received was objective and independent. FIT is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure that objective and independent advice is given to Remuneration Committees.

Our Performance and Link to Remuneration

As summarised in the Chairman's Statement on page 9, the year was a transformational year for the Group, with the Group's shares being admitted to trading on AIM and with strong growth, both organically and through acquisitions in line with its strategy.

During the year none of the Executive Directors participated in an annual bonus arrangement.

As disclosed in the Admission Document, on 29 June 2018, the Group granted a Restricted Stock Award to Kate Lewis. The award becomes exercisable after 3 years from grant, subject to continued service.

On 29 March 2019, a Performance Share Award was granted to Richard King. The award will ordinarily become exercisable on 1 July 2022 subject to the grantee's continued service and to the extent to which the performance condition for the award based on growth in adjusted earnings per share is satisfied.

No long-term incentives vested during the year.

Executive Director Remuneration

Each of the Executive Directors has a service agreement with the Group. Each service contract may be terminated by either party serving 6 months' written notice. At its discretion, the Group may make a payment in lieu of such notice or place the Executive Director on garden leave. The service contracts also contain provisions for early termination in the event of various scenarios and contain typical restrictive covenants,

The key remuneration components of executive packages are summarised as follows:

Base salary: The salary of an Executive Director will be reviewed annually by the Remuneration Committee without any obligation to increase such salary. The current base salaries are:

- **David Beech:** £200,000 (effective from 1 January 2019). The Board recognise that a market-standard salary for an equivalent CEO of an AIM listed company with a similar market capital of that expected of the Group is £250,000 (reference salary). The Group and David have agreed within his service agreement that this reference

salary will become payable to David when the Remuneration Committee agrees that it has become appropriate for the Group to do so (including by way of gradual increases in salary over time towards the reference salary, as warranted by Group performance).

- **Kate Lewis:** £140,000 (effective from 1 January 2019)

- **Richard King:** £175,000.

Pension and benefits: Ancillary benefits include the reimbursement of all reasonable and authorised out of pocket expenses, provision of a private healthcare cover up to £2,000 and 2x salary life cover. The Group also contributes to pension plans or as an additional cash supplement in respect of the Executive Directors at a rate of 3%* in line with the automatic enrolment guidelines and which mirrors the contribution across all employees, positioned competitively to the market in which the Group operates.

Annual bonus: No plan was operated for the 30 April 2019 financial year. A plan has been introduced for Richard King for the 30 April 2020 financial year with a maximum opportunity of 35% of salary with performance criteria based on profit-based targets as set by the Remuneration Committee.

A discretionary share plan, the Omnibus Plan: Share-based awards may be granted in 3 forms as considered appropriate by the Remuneration Committee:

- **Restricted Stock Awards:** Awards granted in the form of nil or nominal cost share options, subject to time-based vesting requirements and continued employment within the Group. No performance conditions will apply to Restricted Stock Awards.
- **Performance Share Awards:** Awards granted in the form of nil or nominal cost share options, whereby vesting is subject to satisfaction of performance conditions and continued employment within the Group.
- **Share Options:** Awards granted in the form of a share option with an exercise price equal to the market value of an Ordinary Share at the time of grant, subject to continued employment within the Group. Share options may or may not be subject to performance conditions.

* 2% up to 31 March 2019

Non-Executive Directors

Bal Johal, was appointed Non-Executive Chairman of the Group by letter of appointment dated 1 June 2018. The appointment is subject to re-election at the Annual General Meeting and thereafter is terminable on 3 months' notice by either the Group or Bal. The fee payable to the Chairman is £50,000.

The other Non-Executive Directors were appointed subject to re-election at the Annual General Meeting and are terminable on 1 months' notice by either party.

The current fee payable for services as a Non-Executive Director is £40,000 with an additional £5,000 payable to the senior independent Non-Executive Director.

As it is listed on AIM, the Group is not required to provide all of the information included in this Report. However, in the interests of transparency this has been included as a voluntary disclosure. The Report is unaudited, unless otherwise stated. I do hope that this Report clearly explains our approach

to remuneration and enables you to appreciate how it underpins our business growth strategy.



Jane Pateman
Chair of the Remuneration Committee
July 2019



Directors' Emoluments

	Fees/ Basic Salary (2019)	Benefits (2019)	Bonus (2019)	LTIP	Pension (2018)	2019 Total	2018 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Executive Directors							
David Beech	142	–	–	–	1	143	–
Kate Lewis	123	–	–	–	3	126	116
Richard King ¹	82	–	–	–	1	83	–
Non-Executive Directors							
Balbinder Johal	43	–	–	–	–	43	6
Steve Dolton ²	41	–	–	–	–	41	–
Jane Pateman ³	13	–	–	–	–	13	–
Aggregate						449	122

Note

¹ Richard King was appointed a Non-Executive Director of the Group on 1 June 2018 and subsequently appointed Chief Operating Officer on 15 January 2019.

² Steve Dolton was appointed a Non-Executive Director of the Group on 1 June 2018.

³ Jane Pateman was appointed a Non-Executive Director of the Group on 15 January 2019.

The directors remuneration comparative information for 2018 relates to the directors remuneration in Knights 1759 Limited for the 2018 financial year

Long-term Incentives

	Type of Award	Date of Grant	Number of Shares	Exercise Price per Share	Fair Value at Grant £'000	Performance Conditions	Vesting Date
Kate Lewis	Restricted Stock Award	29 June 2018	241,379	£0.002	350.00 ¹	N/A	June 2021
Richard King ¹	Performance Share Award	29 March 2019	63,352	£0.002	183.75 ²	EPS ³	July 2022

Note

¹ Based on IPO price of £1.45

² Based on 3-day average share price] of £2.900482

³ 3-year performance period with vesting dependent on adjusted EPS performance in financial year 30 April 2022 EPS. 25% vesting for EPS of 20p and increasing on a straight-line basis to 100% vesting for EPS of 25p.



Audit Committee Report

Steve Dolton
Chair of the
Audit Committee

I am pleased to present the Audit Committee report for the year ended 30 April 2019.

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported and reviewed. Its role includes monitoring the integrity of the financial statements (including annual and interim accounts and results announcements), reviewing risk management and internal control systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by and overseeing the relationship with the external auditors.



Members of the Audit Committee and Attendance

The Committee consists of two independent Non-Executive Directors:

Steve Dolton (as Chair) and Jane Pateman. Jane replaced Richard King on the Audit Committee following her appointment as a Non-Executive Director and Richard's appointment as an Executive Director on 14 January 2019. Steve has recent and relevant experience as a result of his financial positions held and qualifications. Jane provides different but relevant skills and experience which support the

Duties

The main duties of the Audit Committee during the year included:

► Monitoring the integrity of financial statements

The Committee reviewed both the interim and the annual financial statements as well as related results announcements made as part of their disclosure. This process included a review of any estimations made by management in preparing the results. The Committee ensured sufficient attention was given to matters where significant estimation was involved. This includes revenue recognition, impairment of goodwill and the use of alternative performance measures which are used to enhance shareholders understanding of the Group's financial performance.

The significant accounting judgements considered by the Committee are set out below.

The Committee has considered and reviewed any relevant papers from the finance function and the findings report of the external auditors on these areas. The key areas are:

► Revenue recognition policy

The Group recognises revenue on legal and professional services provided based on the methodology set out in IFRS 15 Revenue from Contracts with Customers. There is estimation involved in establishing the

Committee in meeting its objectives. Kate Lewis, the Chief Financial Officer and other Executive Directors may attend the Committee meetings by invitation. The Committee met twice during the period and ensures that sufficient time is set aside to meet with the external auditors, RSM, without Executive Directors being present to discuss any issues arising from their audit work. Neither the Group nor its Directors have any relationships that impair the external auditor's independence.

value that will eventually be recovered on all of its contracts.

Management use the expected outcomes as at the period end to establish the estimated value and compare to historic outcomes to ensure reasonableness. Estimates are updated as work progresses and any changes in revenue recognition as a result of a change in circumstances is recognised in the Statement of Comprehensive Income for that year. In relation to any contingent items, no profit element is taken until the liability is admitted. The Committee considers the approach adopted by management is prudent and minimises the risk of overstatement of income resulting in future revenue write-offs.

► Accounting for Acquisitions

During the year the Group acquired four separate entities. Accounting for these acquisitions involves a significant amount of management judgement to determine the allocation of purchase price, treatment of deferred consideration, assess the requirement for any fair value adjustments, identify and value the intangible assets arising, and estimate the useful lives of these assets. Having reviewed the working papers and resulting accounting treatment, the Committee are satisfied that the approach adopted by management is reasonable and fairly represents the underlying transactions.

► Use of alternative performance measures

The Board uses a number of alternative performance measures. As the key driver for income is the number of fee earners employed, a number of these measures are based on fee earner numbers, ratios and fees generated by fee earners. Another key focus for the Board is management of its net debt position, therefore cash conversion and lock up days are closely monitored as these are key drivers of the resulting net debt position.

The Audit Committee is satisfied that these are the correct measures to use as they monitor the inputs that underpin the trading and cash performance of the Group. These measures are discussed in detail in the CFO's Review on pages 41–48.

► Risk management and internal controls

As described on page 50 of the Strategic Report and page 61 of the Corporate Governance Statement, the Board has established a framework of risk management and internal control systems, policies and procedures. The Committee is responsible for reviewing the risk management and internal control framework, ensuring that it operates effectively. The Committee is satisfied that the internal controls currently in place are sufficient and operating effectively for a business of this size.

At present the Group does not have an internal audit function and the Committee believes that in view of the current size and nature of the Group's business, management is able to derive sufficient assurance as to the adequacy and effectiveness of the internal controls and risk management procedures without a formal internal audit function. This will be kept under review as the business evolves.

► Changes to accounting policies

The Group has applied International Financial Reporting Standards when preparing its accounts. Although this does not represent a change in basis of preparation for the holding company, it does represent a change in basis for the subsidiary companies. The impact was not significant and affected only the amortisation of goodwill and capitalisation of

transaction costs. The implications of each of these changes is fully disclosed in the relevant note in the subsidiary accounts.

The Committee is satisfied that there are no other changes in accounting policies impacting the reported results for the year.

► Reviewing the extent of non-audit services provided by RSM

The Committee monitors the provision of non-audit services by the external auditor to ensure this has no impact on their independence. A breakdown of the fees between audit and non-audit services is provided in note 15 to the financial statements. The non-audit fees relate to one-off work on the IPO and due diligence assistance on certain acquisitions. This work was conducted by individuals independent of the audit team and therefore the Committee are satisfied the provision of these non-audit services does not impact the independence of the audit team.

► Overseeing the relationship with the external auditors

The Committee considers a number of areas when reviewing the external auditor relationship, namely their performance in discharging the audit, the scope of the audit and terms of engagement, their independence and objectivity and remuneration.

The external auditor prepares a plan for its audit of the full year financial statements which is presented to the Committee before the commencement of the audit. The plan sets out the scope of the audit, areas of perceived significant risk where work will be focused and the audit timetable. This plan is reviewed and agreed by the Committee in advance of the detailed audit work taking place.

Following its external audit process, the auditor presented its findings to the Committee for discussion. No major areas of concern were identified by the external auditor during the year.

The Committee has confirmed that it is satisfied with the independence, objectivity and effectiveness of RSM UK Audit LLP and has recommended to the Board that the auditors be reappointed. There will be a resolution to reappoint the auditors at the forthcoming AGM.

► Application of IFRSs, and new and forthcoming standards

These are the first statutory accounts for the Group as it became following the IPO. The use of predecessor accounting means that the comparatives for 2018 are those from the pre-existing Knights business, before the new plc holding company was put in place to facilitate the IPO. They have been prepared under International Financial Reporting Standards (IFRS) as if those standards had always applied. The two new standards most relevant to the Group are IFRS 9 Financial Instruments and IFRS 15 Revenue and Contracts with Customers. The Committee has reviewed the implementation of these accounting standards and has reviewed the external auditors assessment on the application of these standards. The Committee is satisfied with the application of IFRS 9 and IFRS 15 in the financial statements.

The Group has adopted IFRS 16 Leases with effect from 1 May 2019, although this standard was not effective for the year ended 30 April 2019 and so is not reflected in the financial statements. Management have conducted an impact assessment of this standard and the results are reported in note 3 to the financial statements on page 91. In summary, this standard is not expected to have a material impact on the Statement of Comprehensive Income for the year ended 30 April 2019 but the impact of bringing the Group's operating leases onto the Balance Sheet will require the recognition of a right-of-use asset of £18.7m and a lease liability of £20.4m. This change in accounting treatment will not have any impact of the Group's financial covenants associated with its borrowing facility.

Steve Dolton
Chair of the Audit Committee

8 July 2019

Directors' Report

The directors have pleasure in submitting their report and the financial statements of Knights Group Holdings plc.

Principal activities and business review

The principal activity of the Group is that of the provision of legal and professional services. The principal activity of the Company is that of a holding company. The results for the year and the financial position of the Group are disclosed in the detailed financial statements included on pages 75–130.

A review of the performance of the business during the year and potential future developments is included in the Chairman's report, CEO's report and the financial review.

Dividends

The directors recommend a final dividend of 1.27p per ordinary share to be paid on 30 September 2019 to ordinary shareholders on the register on 30 August 2019 which, together with the interim dividend of 0.6p per share paid on 15 March 2019, makes a total of 1.87p per share for the year. The final dividend has not been included within creditors as it was not approved before the end of the financial year.

Future developments

The Board plans to continue to invest in technology, recruitment and acquisitions within both the legal and non-legal sectors to support the Group's strategy of becoming the leading legal and professional services business outside London. Further details of the Group's future strategy can be found in the Strategic Report on pages 50–53.

Post Balance Sheet Events

As at the date of signing the accounts there are no significant Post Balance Sheet Events that require any further disclosure.

Directors and their interest in the shares of the parent company

The following directors have held office since 4 April 2018.

	Number of Shares	%
DA Beech (appointed 4 April 2018)	32,500,000	44.32
KL Lewis (appointed 9 May 2018)	2,801	–
RA King (appointed 1 June 2018)	63,926	0.08
BS Johal (appointed 1 June 2018)	1,000,000	1.36
S Dolton (appointed 1 June 2018)	61,724	0.08
J Pateman (appointed 14 January 2019)	–	–

Director's remuneration payable in the year ended 30 April 2019 is set out in the Remuneration Committee report on page 64–65.

Substantial shareholdings

As far as the directors are aware the only notifiable holdings equal to or in excess of 3% of the total issued share capital as at 3 May 2019 were as detailed below:

	Number of Shares	%
David Beech	32,500,000	44.32
Merian Global Investors	5,914,868	8.07
Gresham House Asset Management	3,169,968	4.32
Canaccord Genuity Wealth Management (inst)	3,000,000	4.09
Fidelity Management & Research	2,519,402	3.44
Invesco	2,453,404	3.35
Legal & General Investment Management	2,427,586	3.31
Kames Capital	2,395,924	3.27
Royal London Asset Management	2,323,000	3.17

Directors' Indemnity Provisions

During the period, and up to the date of approval of the financial statements, the Group purchased and maintained Directors and Officers Liability Insurance for all of the Directors and Officers to indemnify them from any losses that may arise in connection with the execution of their duties and responsibilities to the extent permitted by the Companies Act 2006.

Risk management

The Board manages financial risk on an ongoing basis. The key financial risks relating to the Group are discussed in more detail in note 32 to the financial statements.

The Group's other principal risks and uncertainties are outlined in the Strategic Report.

Political donations

The Group has not made any political donations.

Disabled persons

The Group will employ disabled persons where they appear to be suitable for a particular vacancy and every effort is made to ensure that all candidates are given full consideration when any vacancies arise within the business. Should any employee become disabled during their employment full training will be provided and relevant adaptations to their working environment made, where possible, to ensure that they can continue their employment within the Group. The Group works with all employees to ensure that their working environment is appropriate and to ensure that all employees are provided with sufficient training, development and support to enable them to develop to their full potential.

Employee consultation

The Group places considerable value on the involvement of its employees in the future success of the Group. Although the overall strategic direction of the Group is managed by the Board, the Group manages its day to day operations with the assistance of its central management team. Local supervision is provided in each office by the involvement of office and team leaders who assist in ensuring a common culture and working practice across the Group as a whole.

The management team regularly liaise with all employees to ensure they are fully aware of any key matters that impact the Group. As well as regular informal meetings between management and employees, the Group holds an annual conference where the strategy of the Group is discussed through presentations and open discussion.

Auditor

Each of the persons who is a director at the date of approval of this annual report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware
- The director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

RSM UK Audit LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

The Directors' Report was approved by the board of directors on 8 July 2019 and signed on its behalf by:



David Beech
Chief Executive Officer

8 July 2019

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS101 'Reduced disclosure Framework.

The Group's financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and the financial performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing each of the group and company financial statements, the directors are required to:

- a. Select suitable accounting policies and then apply them consistently;
- b. Make judgements and accounting estimates that are reasonable and prudent;
- c. State whether they have been prepared in accordance with IFRSs adopted by the EU;
- d. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Knights Group Holdings plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

