Knights plc

Annual Report and Accounts
30 April 2021

Knights plc

A resilient business, scaling throughout the UK with multiple growth opportunities ahead.

Knights' unique proposition is ever more relevant to talented lawyers, acquisition candidates and clients alike.

We deliver legal and professional services in a different way - our unique culture, 'one team' approach and commercial mindset enables us to put our clients at the heart of everything we do.

We provide our clients with a premium service, combining speed, responsiveness and the flexibility to operate at scale, drawing from our extensive high-quality legal expertise and deep sector specialisms, combined with the value associated with operating outside London.

We invest in the very best talent and through our corporate structure, modernised ways of working and best in class technology, enable the team to focus on building strong relationships with our clients in order to best understand their needs.

This approach is at the heart of our vision to build the leading, full service legal and professional services business outside London.

Elevating our credibility as a leading legal and professional business

Having exceeded the targets set out at the time of our IPO in 2018, we have continued to execute our strategy of accelerating organic growth with carefully targeted acquisitions which enhance or expand our core offering outside London and are considered a strong cultural fit.

The acquisitions completed during FY21 have further broadened our geographic presence, with our increased scale and national reputation attracting an exciting pipeline of high calibre recruitment and acquisition candidates. Having reached critical mass, the growing depth and breadth of our expertise makes us an increasingly attractive prospect to large and high-quality clients, who recognise the value of our trusted advice, scale and premium service.

Underpinned by an established corporate structure and with proven resilience through the economic cycle, our strong operational infrastructure provides an efficient and scalable backbone upon which we can continue to grow. Importantly, our unique culture remains at the heart of each of our offices, with our Client Services team ensuring our 'one team' approach and highly commercial mindset is embedded in everything we do.

Financial Highlights

Our resilient and innovative approach has delivered strong profit growth, enabled the successful integration of acquisitions and a continued delivery of organic growth despite disruption due to COVID-19.

Revenue
£103.2m
+39.0% (2020: £74.3m)

H2 organic revenue growth %
10%
(2020: 10%)

Underlying PBT
£18.4m
+35.3% (2020: £13.6m)

Reported PBT
£5.5m
+35.8% (2020: £4.1m)

Cash conversion
96%
(2020: 80%)

Net debt
£21.1m
(2020: £15.9m)

Underlying EPS*
18.30p
(2020: 14.33p*)

Reported EPS
4.14p
(2020: 2.44p)

Note
* The Group reports certain Alternative Performance Measures (APMs) as management believe these measures provide valuable additional information for the understanding of the underlying trading performance of the business. In particular, underlying profit measures are used to provide the users of the accounts a clear understanding of the underlying profitability of the business over time. Full definitions and explanations of these measures and reconciliations to the most directly referenceable IFRS line item, are provided in pages 116-117.

At a Glance

Who we are

Knights has grown to become a leading legal and professional services business outside London, with over 1,000 fee earners operating from 16 office locations across the UK.

Our team's deep expertise, sector insight and understanding of our clients' needs underpin our reputation as a trusted adviser.

Our high-quality advice enables our clients to make informed strategic decisions to grow their businesses and navigate any challenges they may face.

Our unique culture and early adoption of a corporate structure underpins our 'one team' approach and is a key driver of our competitive advantage. It ensures our professionals are always working in the best interests of our clients and the success of the Group as a whole, rather than focusing on their own individual performance.

Our modern way of working ensures we always deliver on our clients' requirements in the most efficient way possible, delivering value to them without carrying unnecessary cost.

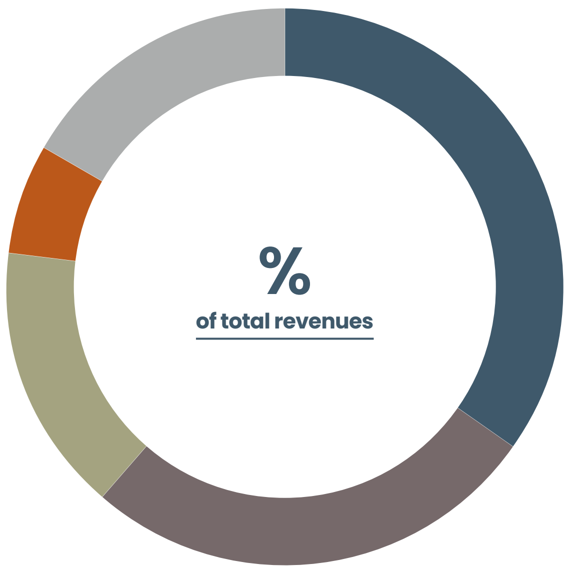
This allows our professional advisors to thrive on what they do best: advising quality clients on interesting and exciting work while Knights' operational team focus on the day-to-day running of the business.

What we do

Knights provides a full service offering to corporate clients as well as synergistic services to high net worth individuals, who are typically clients of the Group's corporate and commercial services.

Our extensive expertise has been strengthened further through the recruitment of high-calibre talent and acquisitions during the year.

A full suite of services strengthened by sector specialisms and non-legal services *(% of total revenues)*



Real Estate
34.8%

Dispute Resolution
26.7%

Corporate
15.6%

Employment
6.4%

Private Client
16.5%

Sector specialisms

- Agriculture and the food supply chain
- Aviation
- Consumer and retail
- Energy, waste and natural resources
- Financial and professional services
- Gambling and licensing
- Healthcare
- Housing and regeneration
- Industrials, transport and support services
- Property management and development
- Technology, media and telecommunications

Who we work with

We build longstanding relationships with a range of clients from international corporations through to small and medium enterprises.

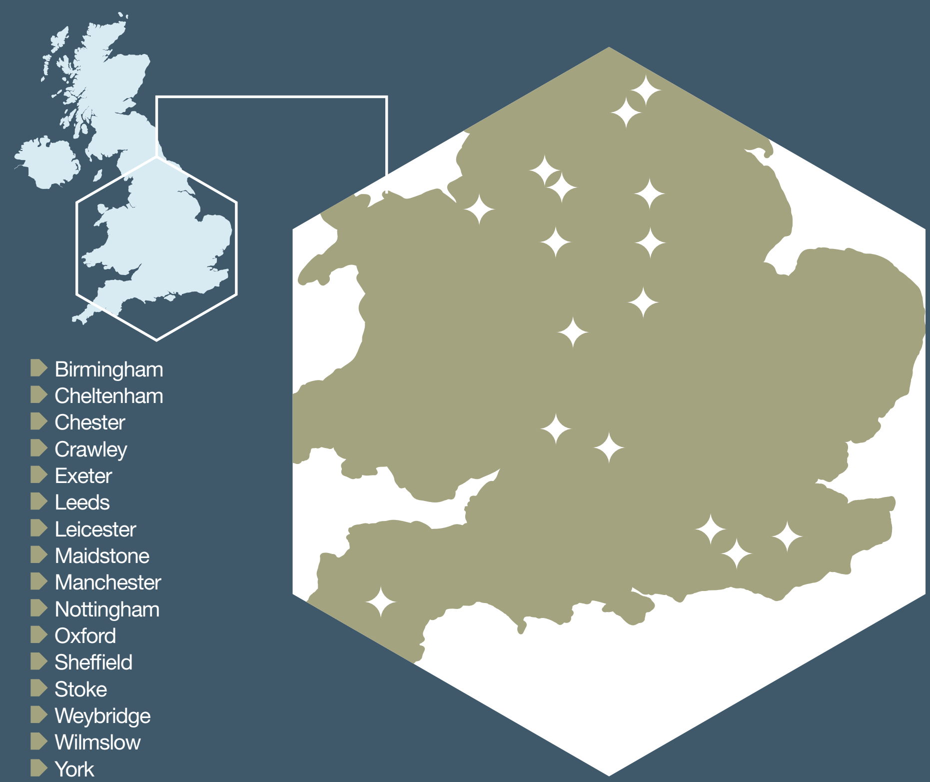
We have the scale to flexibly deliver high-calibre expertise across a range of services whilst retaining our trusted partner approach, which ensures we remain aligned with our clients' priorities and requirements.

Our operational setup in regional locations outside London means that we also bring strong local market knowledge and networks, offering quality advice from a competitive cost base.

We are proud to work with a highly diversified client base of over 13,000 businesses in addition to our private clients, with no one client accounting for more than 3% of revenue.

Where we operate

We are focused on the key regional markets in the UK outside London, currently operating from 16 office locations strategically located where we possess strong local market knowledge and networks.



- Birmingham
- Cheltenham
- Chester
- Crawley
- Exeter
- Leeds
- Leicester
- Maidstone
- Manchester
- Nottingham
- Oxford
- Sheffield
- Stoke
- Weybridge
- Wilmslow
- York

Service Line		Service
Real Estate	All contentious and non-contentious matters across the real estate lifecycle from town planning to asset management.	- Asset management - Business parks - Construction - Development - Mines & minerals - Planning - Plot sales - Property litigation - Retail - Telecommunications - Volume conveyancing
Dispute Resolution	Resolving disputes across the full spectrum of services.	- Arbitration - Debt recovery - Litigation - Mediation - Restructuring and insolvency
Corporate	Commercial and practical advice on all operational activities across a highly diversified client base.	- Banking - Commercial - Data protection - Immigration - Intellectual property - Mergers, acquisitions and disposals - Tax and financial services
Employment	Providing strategic HR advice on a range of contentious and non-contentious issues across a variety of sectors.	- Litigation/Tribunals - Management training - Reorganisation - Strategic projects - Strategic audits/reports - TUPE
Private Client	Supporting the full range of needs for high net worth individuals and their families.	- Complex family matters - Conveyancing - Landed estates - Tax and trusts - Wills

Investment Case

A strong track record in a highly attractive market

Experienced operator delivering first-class returns

Premium quality from a competitive cost base

We focus on markets outside London where we can become the leading regional high-quality business.

Increased scale and national reputation has provided a step change in our credibility as a premium provider, leading to an increased flow of new instructions from high calibre clients.

Lower competition in our markets means there is **less upward pressure on salaries**, allowing us to offer greater value for money for our clients.

Operating outside London contributes to **reduced property costs**, and provides a more sustainable work-life balance for our colleagues.

Fee earner to non-fee earner ratio above market average, aided by the use of technology.

Underlying profit before tax

£18.4m

Read more on pages 34-43

Profitable growth

Professional advisors with a commercial mindset

Industry leading working capital days facilitated by Knights' culture and training of professionals on client management, supported by technology, actionable analytics and Client Service Directors who ensure continued focus on billing and cash collection.

Fee earners concentrate on client service, while professional managers run the business. Lawyers focus on earning fees with no distractions of running the business, which is operated by an experienced senior leadership team who can act with agility.

Deep client relationships and limited sector and fee earner concentration brings diversity and resilience to our revenue base.

Working capital lockup days*

89

Read more on pages 34-43

Highly cash generative

A scalable model

A fragmented market worth £3.1bn outside London provides a clear market opportunity to grow organically, complemented by carefully targeted acquisitions.

A proven and compelling platform for legal professionals, with lawyers attracted by the lack of ownership risk associated with partnership structures, as well as the sustainability of our commercial success and development opportunities.

Culture and market positioning drives organic recruitment and low churn.

Track record of unlocking value from acquisitions, with systems, processes and culture fully integrated by our expert team in under two months.

Previous investment in operational backbone, including technology, provides a scalable platform for future growth, with fixed costs diluted as we grow.

This year we have entered three new locations and scaled the business in an existing location.

Fee earner: Non-fee earner ratio

4.5:1

Read more on pages 34-43

Robust platform for growth

Note
* Excluding acquisitions.

Chairman's Statement

The Group's strong performance has demonstrated the resilience of both our business model and our people, continuing our vision to build the leading legal and professional services business outside London, as we emerge from the pandemic in a stronger position than ever.

Bal Johal
Non-Executive Chairman
14 July 2021

Revenue

£103.2m

(2020 £74.3m)

Underlying profit before tax*

+35.3%

H2 organic revenue growth

10%

Note
* See Glossary on pages 116-117.

The Group has delivered 39% revenue growth to £103.2m (2020: £74.3m), including a £2.1m contribution from the acquisitions made during the year and £28.4m from the full year impact of acquisitions made in the prior year, which were in line with our ongoing commitment to broadening Knights' geographical reach and scale. Following the initial impact of the pandemic in the first half, the Group returned to organic growth in the second half of the year. This reflected the strength and agility of our business, which is highly diversified by client, sector and service, as well as our continued focus on recruiting high calibre senior fee earners.

Our early and prudent actions to manage costs demonstrated the benefit of the Group's corporate structure and ability to trade through an uncertain economic environment, with our underlying PBT[1] margin improving to 21.8% in the second half, leading to underlying profit before tax[2] of £18.4m (2020: £13.6m) and a 27.7% increase in underlying EPS[3] to 18.30p (2020: 14.33p).

These results were achieved without the Group benefitting from the Government's COVID-19 related support schemes, such as the Job Retention Scheme, and despite the initial disruption from COVID-19 during the first half, which saw the Group's ability to transact on behalf of its clients impacted due to a slower transition to working from home amongst counterpart law firms. Importantly, Knights' position as a modernised and well-invested legal services business operating on a single technology platform meant that the team was able to transition seamlessly to working from home with strong levels of productivity. Our resilience also allowed us to execute carefully selected acquisitions and continue to make operational improvements across the business. On behalf of our Board, I would like to thank our people for their tireless commitment throughout a year in which we have worked together more closely than ever before, despite the majority of the time being spent apart.

Confidence in our strategy reinforced

Unlike many businesses which struggled at the onset of the pandemic, Knights has continued to execute on its vision to become the leading legal and professional services business outside London. Our confidence in the Group's strategy and its strong financial position enabled us to continue to build the business both organically, with the Group continuing to attract high quality senior candidates across the country, and through acquisition.

Our momentum in recruitment has demonstrated that, with its increased scale and breadth, Knights has reached the critical mass to be a highly attractive prospect to top talent in the regions, with the majority of new candidates coming from other top 50 law firms. We also believe that the pandemic has only served to make Knights more attractive as an employer, as it has prompted people to seek to work closer to home. As a result of hiring high calibre people, we have onboarded larger and higher quality client followings, which smaller regional independent law firms would not be able to adequately support due to their limited scale and range of services.

Integration of the three acquisitions completed at the end of the previous financial year was completed successfully and ahead of schedule in the first half, bringing further scale to the Group and increasing our confidence in our ability to rapidly integrate simultaneous acquisitions during a period of working remotely. The Group's four acquisitions in the second half provided entry in to the South West and an expanded presence in Yorkshire and the South East, and an extension of its housing services offering, with COVID-19 only accentuating the pipeline of quality acquisition opportunities available.

Board and ESG

Despite a full year of working remotely, our executive team has shown great commitment to ensuring the Group's highly collegiate culture remains as strong as ever and to ensuring the wellbeing of our people. There has been a heavy focus on engaging with, motivating, nurturing, and developing our existing talent, and our 'one team' approach has ensured new joiners feel welcomed and connected to the broader Knights community.

Volunteering in local communities has played a key role during the pandemic, and I am particularly proud of our colleagues that have supported local organisations in offering their assistance for four hours of work time per month through our flagship 4 Our Community programme. We were also pleased to announce our new partnership with mental health charity Mind during the year and look forward to bringing our teams together to raise our target of £20,000 over the next two years.

We also look forward to welcoming colleagues back to our offices as part of the Group's return in September which, whilst allowing our people to retain the flexibility to work from home productively some of the time, will enable greater collaboration and ensure less experienced colleagues feel supported and are learning from other team members in an office environment.

Gillian Davies was appointed as Senior Independent Non-Executive Director and Chair of the Audit Committee with effect from 17 March 2021. She brings significant experience working in senior roles at high growth businesses, which will be of great value to the Group as we continue to execute on our strategy, Gillian's appointment also means the Group's Board has greater gender diversity with an equal weighting of men and women. The appointment follows Steve Dolton's decision to step down from the Board as Senior Independent Non-Executive Director, to pursue other opportunities.

In addition, we continue to operate and govern the Group in line with the key principles of the QCA Code, as set out in the governance section.

A more detailed overview of the Board's approach to ESG is provided on pages 22-29.

Dividend

Given the cost saving measures taken by the Group during the year, the Board has decided that no final dividend is declared for the year ended 30 April 2021. It is the Board's intention to resume paying dividends in respect of the year ending 30 April 2022 in accordance with the previous dividend policy of paying out 20% of profit after tax.

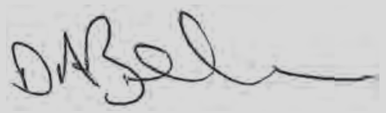
Summary and medium-term outlook

Despite a year of macroeconomic uncertainty, our resilient, well-invested, diversified and cash generative business, and highly committed management team, have allowed us to make significant progress in executing our vision to become the leading legal and professional services business outside London. While we are emerging stronger, the impact of COVID-19 has accentuated the near-term challenges for many firms across the traditional legal services industry, making Knights' unique proposition ever more relevant to talented lawyers, acquisition candidates and clients alike.

Note
1 See Financial Review on pages 34-43.
2 See Financial Review on pages 34-43.
3 See Financial Review on pages 34-43.

Chief Executive's Review

We have delivered a robust performance during the year and significantly elevated our position as a market leader outside London by continuing to deliver on our strategy.



David Beech
Chief Executive Officer
14 July 2021

Revenue increase

39.0%

(2020: 41%)

Acquisitions in FY21

£2.1m

Contribution to revenue

Underlying PBT* margin

17.8%

(2020: 18.3%)

Note
* See Glossary on pages 116-117.

The Group's rapid return to delivering strong levels of organic growth in the second half, following the disruption in the first half, is testament to the momentum in the business.

With the critical mass that the Group has now achieved, it is increasingly attracting high calibre talent with strong client followings, good quality clients who recognise the value of our premium service, and legal service firms that would like to be part of a larger, diversified, forward thinking group. The four acquisitions occurring in the period expanded our footprint into Sheffield and the South West, and strengthened our presence in the South East which we expect to benefit from a growing pool of talented lawyers that no longer wish to commute into London.

Our ability to react quickly to a changing external environment at the onset of the pandemic demonstrated the benefit of our corporate structure. Early and prudent actions, supported by our well invested IT infrastructure, positioned the Group to trade well through all of the lockdown periods, with our diversified, full service offering proving resilient, our staff moving seamlessly to working from home, and the successful remote integration of prior acquisitions, which were completed ahead of schedule.

The safety and wellbeing of our people remained the Group's priority, with all staff working from home continually throughout the COVID-19 pandemic since 13 March 2020, ahead of the UK government lockdown. I am particularly proud of the continued high levels of outstanding service delivered by our people as well as the efforts of the wider executive team in ensuring colleagues were kept informed and felt part of our 'one team' culture despite being away from a traditional office environment. We look forward to seeing both familiar and new faces in the coming months as part of our return to more office-based, hybrid working in September.

A year of significant progress

The increased scale and geographical presence achieved in recent years has delivered a step change in the Group's credibility as a leading legal and professional services business which, in turn, is attracting more high quality talent, clients and acquisition opportunities.

At a time when the pandemic has only served to highlight the challenges and uncertainties inherent in the traditional partnership model to some partners, Knights has earned a reputation as a well-positioned, growing business with an attractive model. As a result, we have continued our momentum in recruiting high calibre talent from other top 50 law firms and well-reputed professional services firms, typically with strong client followings. Importantly, we have also continued to invest in the training, development and wellbeing of our existing talent, and in modern offices in prime locations from which to work, helping us to retain the high quality people that will enable the business to grow.

The quality of our people and Knights' premium full service client offering has allowed us to continue to both win new clients and build on our already strong relationships with existing clients. The level of trust and reputation ascribed to Knights' services in the regions has validated our market position and brought the confidence to our fee earners to charge clients appropriately for the premium service we provide. Alongside greater focus from our growing pool of talented lawyers on strengthening our client relationships, our expanded Client Services team and Sales Director are also developing a greater understanding of our client base with a view to identifying opportunities to expand the services Knights can offer its clients. Whilst at an early stage, this greater focus on data will aid our drive to deliver continued strong levels of organic growth, allowing us to leverage our investment in our strong operational backbone.

Our scale has enabled us to support the onboarding of larger, high-quality clients, with our 'one-team', service-driven culture encouraging greater collaboration across a growing suite of services. During the year we have achieved a number of significant organic client wins across the Group including easyJet, Papa John's, British Airways and William Hill.

In addition, we are widening our offering where we believe we can strengthen our position as key trusted advisors to our clients and expand the existing relationships across our corporate teams. For instance, we have built a significant dedicated team of specialist tax advisers, combining lawyers and accountants, which we are also replicating in debt advisory, where we believe there is a unique opportunity for Knights to offer a holistic accounting and legal service to corporates.

To support the Group's ongoing growth, we continue to invest in the business. We have agreed attractive lease arrangements in Birmingham, Leeds and Nottingham, with high quality office space remaining an important element of supporting Knights' collaborative culture, whilst hybrid working is expected to provide us with c.20% greater capacity. We continue to enhance our technology platform, launching our HR hub in the first half to complete our scalable operational platform, and remain focussed on continually developing tools to better support the business, its clients and acquisition integration. We have also appointed two additional Client Service Directors, taking their total number in the Group to eight. The Client Service Directors play an essential role in delivering operational performance across the business. Working closely with the executive Board they have overall responsibility for the financial performance of their offices and delivering organic growth in line with the Group's key objectives and culture. They also support the Group's acquisition strategy by taking the lead on the integration and management of each new business into the Group before, during and after the acquisition.

Client satisfaction

+75

Net Promoter Score

Chief Executive's Review continued

Building on our acquisition track record

The successful integration, ahead of schedule, of the Fraser Brown, Shulmans and ASB acquisitions which were announced in February and March 2020 during a period of transitioning to home working, only served to increase our confidence in our ability to execute on our attractive pipeline of acquisitions.

Building on our track record of acquiring high quality businesses with a strong cultural fit, we have continued to execute on our strategy to acquire businesses that provide entry in to a key market, providing a platform for organic growth in the region, or that can be bolted on to build scale in our existing locations.

Entry into Exeter, a key city in the large South West legal services market

Accordingly, on 14 December 2020 we completed the acquisition of OTB Eveling LLP, providing an entry into the South West and the city of Exeter, a key city in one of the largest regional markets for legal services (Bureau van Dijk, Mintel UK Legal Services Report 2021).

Founded in 2012, OTB Eveling further extends Knights' existing national presence with a full offering including corporate, employment, dispute resolution and real estate services. Since welcoming its 17 fee earners to the Group, Knights' scale and national reputation has already attracted quality recruits across the region. Now fully integrated into the Group, the business continues to progress well, with performance to date in line with our expectations.

Strengthened presence in the South East provides a strong platform for recruitment

On 16 April 2021 we completed the acquisition of Mundays LLP, an independent commercial law firm based in Surrey. Established over sixty years ago in Weybridge, Mundays' strong corporate, real estate and private client services offering further strengthens Knights' existing presence in the South East, achieved through the acquisition of Crawley and Maidstone based ASB, in April 2020.

With its strong cultural fit evident from meeting a considerable number of the team before acquisition, its 34 fee earners and systems have integrated well, delivering initial synergy savings in line with expectations. The period of home working during lockdowns has also shown early signs of some talented lawyers being drawn to working in towns surrounding London instead of commuting, providing invigorated momentum to an already strong recruitment pipeline for talent on the outskirts of London.

On 23 April 2021 the Group completed the small acquisition of Housing Law Services, a niche housing team based in the South East, to complement Knights' existing housing services offering.

Joining up our presence in Yorkshire with entry into Sheffield

Having grown our position in Yorkshire significantly, we were delighted to announce the acquisition of Keebles at the year end. Established over a century ago, its full service offering and leading position in both corporate and real estate law provides an entry into the important city of Sheffield and the wider South Yorkshire area, complementing Knights' existing presence in Nottingham and Leeds.

The acquisition added 138 fee earners to Knights, bringing critical mass in an important market. The business has proved to be an exceptional cultural fit for Knights and early integration is encouraging.

Current trading and outlook

The well-balanced and highly diversified business we have built over a number of years proved to be resilient during a difficult economic period and, having further strengthened our depth and breadth, the Group's enhanced reputation is attracting high quality talent, clients and acquisition candidates.

Having emerged in a stronger position from the initial stages of the pandemic, our momentum continued to build through the second half of the year, allowing us to return to strong levels of organic growth in the last two months of the trading period. This momentum has continued with an increasing quantum and quality of new instructions across the business as we entered FY22, supported by a growing team of motivated and committed people across the Group.

We continue to see a high level of senior fee earner recruitment and acquisition opportunities, providing a strong pipeline of candidates from which to select. Having effectively executed several acquisitions and onboarded new joiners despite a period of home working, we look forward to building on this track record as we exit the latest lockdown.

In a challenging year for many businesses across the UK, the Board's confidence in the Group's strategy has been reinforced. We expect that COVID-19 will only accentuate the recruitment and acquisition opportunities for our resilient, well-invested, diversified and cash generative business in the highly fragmented and often under-invested market for legal services outside London.

Market Opportunity

The UK legal services market remained resilient despite the challenging operating environment and a fragmented landscape.

A fragmented market ripe for disruption

Despite the challenging operating environment, the legal services market has remained resilient during the last 12 months. Nonetheless, pockets of the wider legal sector have reported difficulties, resulting in insolvency, acquisition or reduced turnover.

The legal services market in the UK is largely polarised between the major law firms, who operate from London and internationally, and are typically focused on the largest UK and international clients and deals, high street law firms focused on consumers, and small to medium sized B2B focused independent law firms, who are often subscale and operate out of a single office regionally, serving businesses typically headquartered outside London. This latter market is our focus.

The majority of our direct competitors operate under the traditional partnership model, rather than operating as a corporate business with a clear division between management and fee earners. In our addressable market, there are c.175 firms operating outside London with typical annual revenues of £2m-£60m.

Strong market drivers

The unprecedented impact of the pandemic has demonstrated the benefit of a corporate structure in which the managers can act with agility to adapt according to market conditions, leaving lawyers to focus on delivering a 'business as usual' service to clients.

In contrast, Managing Partners operating under the traditional partnership model have experienced the additional cost of carrying high ratios of support staff, a pressure to maintain profit per equity partner levels, under investment in technology to support remote working, lower utilisation across staff bands and the retirement of senior personnel resulting in investment withdrawals.

COVID-19 is only exacerbating these structural market drivers and is likely to accelerate consolidation in the industry, as firms and individuals increasingly look for change.

We are well positioned to benefit

The size and scale of the regional market opportunity, the agility to respond to changing market drivers and corporatised model provides Knights with an opportunity to continue to grow its market share.

We are well placed to take advantage of the current market disruption due to our strong balance sheet, scalable operating platform and agility to respond to changing market conditions. Our focused acquisition strategy has resulted in the acquisition of three of the independent players during the period, while the business has continued to attract talented professionals from top 50 firms, in-house positions and specialists in niche markets which, in turn, has secured clients who are seeking a premium service from a regional business.

A large and growing market outside London

Estimated value of overall UK legal services market

£36.7bn

2020/2021

Revenue of our addressable market outside London

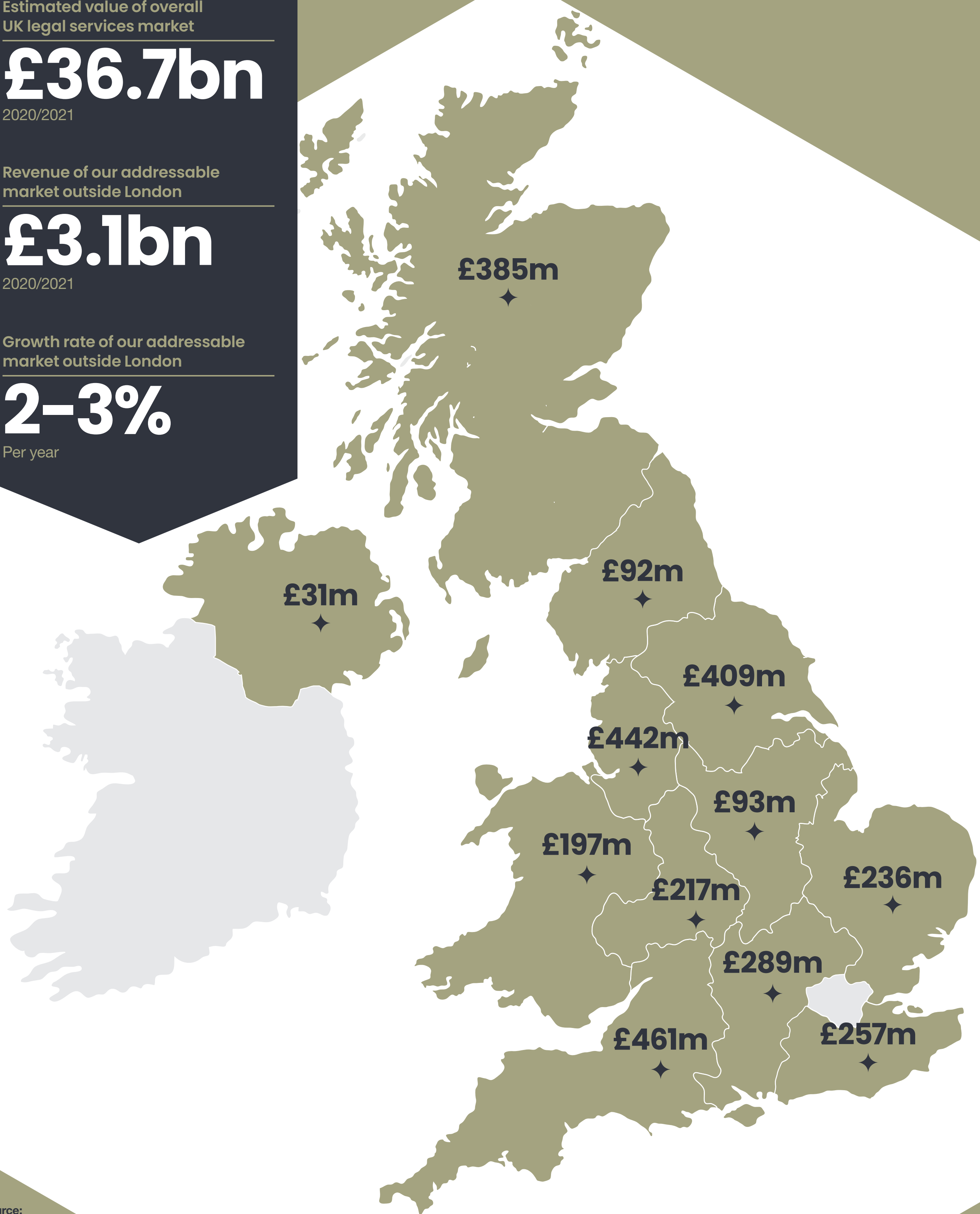
£3.1bn

2020/2021

Growth rate of our addressable market outside London

2–3%

Per year



Source:
* Bureau van Dijk, Mintel UK Legal Services Report 2021, The Lawyer UK Top 200 and Top 100 2020. Data includes Scotland and Northern Ireland.

Business Model

Fuelled by our passion for creating the leading legal and professional services business outside London, our business model enables us to build value by executing our four strategic pillars:

1 Grow Organically

2 Strategic Acquisitions

3 Scale the Operation

4 Exploit Data and Technology

Inputs

Clients

Seeking a premium service for optimum value

Professional Advisors

Seeking opportunities to grow their career in a supportive environment

Law Firms

Seeking a sustainable platform to grow their business

Key Strengths

Cultural

An empowering culture

- Unleashing fee earners' talent through our collaborative and friendly, target free environment.
- 'One team' culture, where resources flow quickly to create the right team for the client.
- Entrepreneurial, can-do mindset, where fee earners can be themselves.

Trusted advisors to clients

- Commercial, business outcome mindset, underpinned with expertise and local knowledge.
- A premium service delivery with responsiveness being a key focus.
- Long-term partnering with clients that want a premium service and respect for those that deliver it.

Operational

Corporate structure

- Separate and strong leadership team, with broad experience beyond the legal sector.
- Enabling fee earners to focus entirely on what they do best, servicing clients.
- Commercial and entrepreneurial approach is embedded in our culture.

Efficient and scalable platform

- Single technology platform delivers efficiency, speed of service, and makes collaboration easy.
- Flowing work to the right expert or level of experience, to optimise value for clients.
- Rapidly assembling teams to deliver on short lead times, complex matters or volume needs of clients.

Financial

Cash and capital

- Highly cash generative model, supporting investment in people, technology and infrastructure.
- Strong balance sheet, aided by industry leading working capital management.
- Support of the UK's strongest quality growth funds.

Acquisition track record

- Identifying the right businesses, driven by a strong cultural and strategic fit.
- Integration is 'business as usual', led by an experienced and dedicated team.
- Rapidly unlocking existing and creating new value sustainably.

Creating Value

Delivering value for clients

- We deliver results that matter to our clients as we are led by their goals, and use our commercial mindset, market insight and legal expertise, to deliver optimal business solutions.
- We are trusted advisors, as a result of our understanding of our clients, their experience of our advice, and our speed of responsiveness.
- We structure our resources to deliver the best solution, underpinned by a high-quality service, enabled by our one team approach and low overheads.

Accelerating career ambitions

- We provide an environment that attracts energetic, commercially minded innovative professionals.
- Our fast growing business, one team approach and drive to change the delivery of professional services, provides outstanding opportunities to flourish.
- Fee earners focus on what they do best and love, delivering a premium service to clients, without the time and emotional drains of targets, politics and management meetings.

Unlocking value from acquisitions

- We carefully select strategic acquisitions that have a strong cultural fit, with people who share our belief that there is a better way to deliver professional services.
- We quickly release value from cost synergies by implementing Knights' operating model.
- We accelerate growth by bringing scale, operational infrastructure and new expertise to acquired teams, enabling them to better serve their existing clients, win new ones, and expand their reach.

Outputs

Clients

+75 NPS

45 No. of FTSE 250 clients

+10% Increase of existing clients using more than one service

Employees

95% Retention*

+39 ENPS

67% Joined from top 50 law firms

Shareholders

18.30p Underlying earnings per share

56.4% 3 year underlying profit CAGR

24.5% TSR

Communities

4 Working hours a month per employee available to dedicate to their community

87% Less paper used vs peer group

9% Energy reduction (buildings, data centres and lighting)

Principles

One team

Quality

Commercial

Pioneer

Agile

Ambitious

Our Strategy

To build the leading legal and professional services business outside London.

We have made continual progress in line with this strategy by driving organic growth, making strategic acquisitions to enter new markets and creating the foundations for future organic growth, whilst enhancing our operating capabilities.

Strategic pillars

Grow Organically	Strategic Acquisitions	Scale the Operation	Exploit Technology and Data

What we did this year

Grow Organically	Strategic Acquisitions	Scale the Operation	Exploit Technology and Data
10% Organic growth in H2 FY21	**3** Market expansions	**4.5:1** Fee earner ratio	**4** Acquisitions integrated in parallel and remotely
35 Partner and Senior Associate promotions	**194** New fee earners through acquisition	**2** Additional Client Service Directors	**10%** Increase of existing clients using more than one service
67% Joined from top 50 law firms	**100%** On track to deliver target cost synergies	**4** New office investments	**20 FTE** People equivalent efficiency gains via automation

What are our priorities

Grow Organically

- Expand the number of services we provide to existing clients.
- Develop and promote existing talent.
- Attract high-quality fee earners with a client following from top 50 law firms.

Read more on page 18

Strategic Acquisitions

- Remain a leading consolidator in the UK legal services sector through selective, high-quality acquisitions.
- Target firms to accelerate growth in existing markets, or those with attractive positions in new key geographies and niche specialisms.
- Continue to realise targeted cost and revenue benefits, then accelerate growth via Knights' model.

Read more on page 19

Scale the Operation

- Continue to create economic scale through the Knights platform.
- Continue to invest to create sufficient capacity ahead of growth and sustain our agility.
- Accelerate how quickly new fee earners master Knights' business model.

Read more on page 20

Exploit Technology and Data

- Increase the economic scale of our operations backbone.
- Increase use of actionable business intelligence to drive growth.
- Enhance service to clients by accelerating delivery and saving their time.

Read more on page 21

Strategic Progress

Building leadership in key regions

A presence in two city centres in the Yorkshire region boosts recruitment and provides new acquisition opportunities.

Knights successfully entered the legal market in Yorkshire in 2020 through a combination of organic growth and an acquisition.

The York office was opened organically in January 2020 and grew to 20 fee earners before the acquisition of a leading independent firm Shulmans* based in Leeds in April 2020, adding a further 130 fee earners. The combination of the two offices and our landmark office in Leeds (The Majestic) has added momentum to recruitment efforts in both locations, with new hires attracted to the combination of scale, flexibility of office location and access to city relationships through a presence across the region.

Organic growth in Yorkshire has seen us recruit 33 fee earners across the combined offices and presented further acquisition opportunities resulting in the announcement on 30 April 2021 of our acquisition of Keebles LLP, an independent law firm primarily based in Sheffield with additional offices in Leeds and Doncaster. The addition of Keebles grows our geographic presence and resource across Yorkshire to over 250 fee earners.

Strengthening our core services

Real Estate

- A strong and expanding team, with new practices established in the South West and South East.
- Added to our expertise in housing and regeneration with the acquisition of housing law services, a niche law firm in the South East, providing dedicated legal advice and practical support to registered providers of social housing, local authorities and arm's length management organisations, whilst also building critical mass in our volume remortgage and conveyancing team.
- Added relationships with Papa John's and Schuh to our already impressive client portfolio of retail clients which includes Dunelm and The White Company.

Dispute Resolution

- Expanded the depth and breadth of our dispute resolution offering with new specialisms including gambling and licensing through the recruitment of a specialist team from a top 50 law firm.
- Delivered property litigation services to a number of notable FTSE 100 retail clients.
- Newly instructed by William Hill Group to support with a range of litigation disputes.

Corporate

- Our strong national team now includes a sizeable presence in the Midlands, Yorkshire, South East and North West.
- Strengthened our non-legal service offering with a dedicated team of specialist tax advisors, combining lawyers and accountants.
- Appointed to easyJet's legal panel for commercial matters, supported Stirling Lloyd with its £73m buyout by US listed company GCP Applied Technologies, and represented the Logson Group in the majority stake sale of the £188m turnover packaging manufacturer to W&R Barnett.

Employment

- Expanded the team to over 50 fee earners, with a team of new professionals joining us in the South East as part of recent acquisitions.
- Advising on a number of strategic HR projects following the COVID-19 pandemic whilst supporting clients specifically with volume settlement agreements at short notice, by using robotics to accelerate service delivery and provide leading service quality.
- Developed new relationships with British Airways, Malmaison/Hotel Du Vin and Fox's Biscuits in addition to providing project based support to easyJet as part of the Group's panel.

Private Client

- A specialist team that continues to deliver high-quality services to high net worth individuals and their families.
- Advised landed estates clients throughout the UK.
- Further enhanced our team to over 180 professionals (2020: 149).

* **Source:** The Lawyer UK Top 200, 2019.

Strategy in Action

Grow Organically

Grow Organically

We have continued to deliver strong organic growth despite a challenging market environment.

Whilst COVID-19 had a significant impact predominantly in the first half of the year, our underlying drivers of organic growth remained healthy (attract top talent, deliver more services to existing clients, grow our talent), with each performing in line or ahead of previous fiscal years.

The key ways in which we delivered on our organic strategy this year were by:

Meeting more of our clients' needs

Broadening our relationships with clients to deliver more than one service is a key opportunity in the industry to drive continued organic growth. Our model means we are well positioned to address a greater share of our clients need, and we saw a 10% increase in the number of existing clients using more than one service during the financial year, driven by the high trust of our clients, and the high internal trust between colleagues to facilitate introductions. The quality of our people and Knights' premium full service client offering has allowed us to continue to both win new clients and build on our already strong relationships with existing clients.

Knights' culture of sharing clients has connected me with exciting projects from high-quality clients across the business.

I was attracted to Knights by the scale of the wider team, which has meant that my clients have access to the right level of expertise and strong relationships with my colleagues. Working collaboratively, without geography or hierarchy being a barrier, is refreshing and is testament to a culture where people and clients come first."

Jonathan Askin
Partner

Enhancing our non-legal services

15 of the professional advisors at Knights provide non-legal services to both existing and new clients across the business. Combining lawyers with other professional advisors provides clients with a complementary service offering which currently includes Town Planning and Tax. This year, we have built a significant dedicated team of specialist tax advisors, combining lawyers and accountants, which we are also replicating in debt advisory, where we believe there is a unique opportunity for Knights to offer a holistic accounting and legal service to corporates. We have also recruited talent in other niche areas, including VAT and Capital Markets.

Knights offered me a platform to deliver specialist tax services to a high-quality client base in a commercial, friendly and supportive way.

After many years of working both in the big four and also private equity, I was looking for a collaborative culture with a focus on delivering a premium client service where we go to market together and do the best for our clients. I was delighted to join Knights to help accelerate the growth of this exciting opportunity to deliver holistic professional services to clients."

Paul Cooper
Partner

Building out our specialisms: Gambling and Licensing

We continue to expand the depth and breadth of our legal service offering, including with new specialisms. This year, we have expanded our existing specialism of Gambling and Licensing through the recruitment of 2 new Partners and a supporting team. Our extended team currently supports a number of the FTSE250 listed Gambling and Licensing organisations in the UK.

Having previously worked in-house for a well-known gambling operator, as well as spending many years acting on behalf of several major bookmakers, I was looking for something more commercially driven than a traditional law firm.

Joining Knights has presented me with a really exciting opportunity to work with a high-quality team to build a practice from an embryonic stage. Knights' trust in the team has allowed us to build on our experience in this niche area to develop a service which is centred around a deep knowledge of the sector, which is expected by the high-quality clients that we support."

Peter Worsencroft
Partner

Strategic Acquisitions

Strategic Acquisitions

The increased scale and geographical presence achieved in recent years has delivered a step change in the Group's credibility which is expanding the pool of high-quality acquisition candidates.

Building on our track record of acquiring high-quality businesses with a strong cultural fit, we have continued to execute on our strategy to acquire businesses that provide entry in to a key market, providing a platform for organic growth in the region, or that can be bolted on to build scale in our existing locations.

Entry into a key market

Knights entered the South West in November 2020 with the acquisition of OTB Eveling LLP in Exeter, a key city in the South West which is one of the largest regional markets for legal services. The acquisition further extended Knights' existing Corporate, Employment, Dispute Resolution and Real Estate offering to the South West region and provided a platform for organic growth and recruitment opportunities.

Joining Knights has enabled us to accelerate our growth plans as part of an innovative and ambitious team who share our commitment to outstanding client service.

We were delighted to be Knights' first point of entry into the South West legal market. The cultural fit has been great and the opportunities we are already seeing are hugely exciting for the whole team."

James Eveling
Partner, Exeter

Accelerating growth in a key region

Knights entered the South East market in April 2020 with the acquisition of ASB Law LLP, a firm which had built up strong relationships with a number of large corporates, as well as a niche specialism in the aviation industry. With offices in Maidstone and Crawley, this acquisition created a platform for Knights to grow a presence in the region. In April 2021 we completed the acquisition of Mundays LLP, an independent commercial law firm based in Weybridge, further strengthening Knights' existing presence in the South East with over 130 fee earners across the combined offices.

Knights was an attractive cultural fit for Mundays and we were delighted to strengthen our footprint in the South East joining Knights' expanding regional resource.

We are excited by the opportunity to collectively serve existing and new clients with the much broader and stronger service offering that Knights provides us with, further enhanced by the increased recruitment opportunities presented by ex-City lawyers looking for new careers without commuting into central London."

Neale Andrews
Partner, Weybridge

Building the scale of our specialist teams

In February 2020 Knights acquired Croftons, a Manchester firm specialising in housing associations and regeneration. The addition of Croftons boosted our real estate services and quickly provided further opportunities for the wider team. In March 2021 we expanded the Group's presence in the housing sector with the acquisition of housing law services, a niche law firm providing dedicated legal advice and practical support to registered providers of social housing, local authorities and arm's length management organisations based in East Sussex. Knights now acts for 100+ registered providers across the country which include Jigsaw, L&Q and Regenda.

Croftons had a strong reputation but we wanted to expand our services and geographic coverage to better serve the housing and regeneration sector.

Since joining Knights in 2020 our vision has been centred around providing a superlative and full service to housing clients, with enhanced geographic coverage. Housing Law Services joining us this year is another step on that journey."

Simon Leighton
Partner, Manchester

Strategy in Action continued

Scale the Operation

Scale the Operation

During the year, we continued to strengthen our operational backbone to support our rapid growth.

Investment in our operational platform ensures the sustainability of our success into future periods, with capacity across our leadership and systems allowing us to continue to benefit from economies of scale.

This continual investment ensures the Group has the capabilities to harvest future opportunities as they arise.

Our ability to react quickly to a changing external environment at the onset of the pandemic demonstrated our operational strength. Early and prudent actions, supported by our operations team and well invested IT infrastructure, saw our colleagues move seamlessly to working from home, and the successful remote integration of acquisitions was completed ahead of schedule.

Scaling the senior leadership team

Knights is operated by an experienced senior leadership team who can act with agility in a low hierarchy model.

To support the Group's ongoing growth, with a focus on client service delivery and acquisition integration, we have appointed two additional Client Service Directors, who play an essential role in delivering operational performance across the business as well as supporting the Group's acquisition strategy.

I am delighted we have continued to enable fee earners to focus on what they do best, delivering a premium service to our clients, through the addition of two new Client Services Directors.

The growth in our leadership team has reinforced our model of creating a clear separation between management and fee earners."

Mark Beech
Group Director of Client Services

Investment in office space

Knights' culture is a source of immense pride and the Group firmly believes that it is a key differentiator for clients and colleagues alike. High quality office space is an important part of supporting Knights' collaborative culture and we have continued to invest, agreeing attractive lease arrangements in Birmingham, Leeds, Nottingham and York.

Our offices create a light, clutter free, open plan environment that fosters wellbeing and facilitates our 'one team' and modern ways of working. We anticipate hybrid working to create 20% extra capacity across all of our office locations.

Having previously worked in industry, it's exciting to be working for a business that is committed to providing a team based culture through continued investment in Grade A office space.

Our ongoing commitment to providing a high-quality and a collaborative working environment for our colleagues continues to support our organic growth ambitions as we continue to scale."

Andrew Flanagan
Property Services Director

Operating with efficiency

Professionals who have built their careers in operations leadership and delivery have continued to support our rapidly growing business. A team of 10 Directors lead over 200 colleagues in our operations team which ensures that the Group has the capability to harvest future opportunities as they arise.

The strength of our operational backbone means that we can operate with both excellence and efficiency as we continue to deliver a premium service to our growing client base, as evidenced by our fee earner to non-fee earner ratio, which reduced to 4.5:1 in the period against an industry norm of 1.7:1.

I'm very pleased at how our model has continued to scale as expected, driven by our prior investment in technology and quality operations professionals.

Our continued investment has built the runway for future growth. A key part of that has been to sustain the agility we had as a twenty million pound business now we are five times the size and continue to grow, maintaining our fee earners' ability to be entrepreneurial and responsive."

Richard King
Chief Operating Officer

Exploit Technology and Data

Exploit Technology and Data

Technology use is a core part of our strategy to scale the business and increase efficiency.

Whilst retaining the simplicity of our operation with one single set of systems by rapidly transitioning acquired businesses, we have continued to expand the depth and breadth of our use of technology to increase the scalability and efficiency of our operations, and increasingly, to enhance our services to clients.

Our strong foundations of a fee earner base skilled in using technology combined with our scalable infrastructure, allowed us to move to home working with no impact on productivity and to integrate four businesses in parallel onto our platform in a matter of weeks after acquisition.

Our focus remains in three areas:

One robust scalable platform

This year we have expanded the foundations of our operating platform to enable it to scale even further:

People Hub

Our new People Hub ensures all Human Resources related information is available in a single place, delivering improvements in efficiency for our team.

Acquisition Integrator

Our blueprint for integrating acquisitions enables us to be a volume consolidator of the fragmented market, as we can now integrate multiple businesses in parallel rather than one at a time. We can migrate the systems of our acquisitions into Knights' Operating Platform in typically 8-12 weeks, meaning fee-earners transition quickly to Knights' ways of working, a key to long-term integration success. This contributes to the rapid harvesting of initial operating synergies.

Continual business improvement in efficiency and revenue growth

We continue to automate repetitive everyday tasks, delivering over 20 full time equivalent people of capacity, increased execution speed and releasing our talent to focus on more motivating tasks.

Examples of tasks include client identity verification, registering documents with the land registry and invoice processing.

We are generating revenue leads by exploiting data to improve the opportunities available to our dedicated Sales team and our fee earners' ability to target new client and cross selling opportunities. For example when targeting new prospects we use algorithms to:

- Use external and proprietary data to identify potential new clients that fit a particular archetype.
- Create insights on whether a client might be interested in an additional service due to a likely event. The number of existing clients using more than one service has increased 10% versus a year ago.

Service enhancement

We are increasingly using technology externally to enhance our client service to clients, with a focus on accelerating speed to serve and saving our clients' valuable time. For example, we have used robotics to transform our employment bulk settlement agreement service to give employees greater peace of mind.

This has been achieved by providing advice on voluntary redundancy offers within hours not days, and increasing the time employees have to make this important decision by 30%. The employer benefits by minimising stress on their employees and reducing reputational risk, as their employees have a quality experience in a highly emotional period. What we believe to be a unique offering has resulted in our team acting for individuals exiting a range of businesses including, Virgin Atlantic, Dickies and Manchester Airport.

We are making it easier and quicker for key clients to work with us as one team via flexible online portals to make day to day interaction simple and seamless, for topics such as making work requests, seeking status updates, and accessing key documents.

Corporate Sustainability

Building a sustainable business that enables all its stakeholders to thrive.

Knights is committed to building a sustainable business that enables all its stakeholders to thrive: a business that minimises its impact on the environment, looks after its people and communities and operates ethically with the highest levels of governance.

Taken together, these goals form a key part of the Group's overall drive to transform legal services away from the traditional model, and are critical to its wider investment case.

Informed by guidelines from independent agencies such as MSCI and aligning with external disclosure recommendations, including those set out by the London Stock Exchange, Knights is proud of the continued progress it has made across Environmental, Social and Governance reporting, having initiated a strategic programme in 2020 to underscore its commitment to make a positive impact.

The Group focuses on three key pillars within its sustainability approach:

Managing our business for the long-term

Aiming for the highest standards of corporate and social behaviour and running its operations with high ethical standards.

Read more on page 24

Caring for people and our communities

Fostering a diverse, team-based, meritocracy-driven culture and encouraging community contributions.

Read more on pages 26-27

Looking after the environment

Focussing on cutting our paper and energy consumption.

Read more on pages 28-29

"I'm proud of the continued progress Knights has made this year, with investment into using more energy efficient office space and technology to reduce carbon footprint, the genuine care that colleagues have shown each other during the pandemic reflected in a 3 point increase in Employee NPS, and the continued high standards of governance one would expect from a regulated legal services provider."

Jane Pateman
Non Executive Director, Knights plc.
Responsible for driving the Group's ESG initiatives since FY20.

Key performance indicators

Knights' strategic programme has introduced a strengthened framework of KPIs and goals, to monitor its impact on its people and its communities, particularly when modernising and integrating acquisitions.

- Employee NPS +39 improved by 3 and Client NPS +75 improved by 15.
- Gender diversity overall, including at leadership levels, reflect a strong meritocracy that is effective in creating an inclusive and diverse one team culture.
- Used lockdown as an opportunity to accelerate paper-light working to enhance service delivery and reduce environmental impact. Like for like consumption of paper is now 87% lower than the industry average, compared to 68% a year ago.
- The Group's Anti-Money Laundering processes have been identified by external auditors as "effective with evidence of strong governance and determined leadership by the Compliance Team and the Money Laundering Reporting Officer" in a recent audit.

Managing our business for the long-term

Board Composition

- Non-legal background: 83% (5 of 6)
- Independent Directors: 50% (3 of 6)
- Gender diversity: 50% (3 of 6)
- Ethnic minority diversity: 17% (1 of 6)

Accountability

- ESG accountable Board member: Jane Pateman
- Independent Audit committee chair: Gillian Davies
- Independent Remuneration committee chair: Jane Pateman
- Compliance Director: Elinor Lloyd, who reports independently from the fee earning organisation

Foundations

- ESG and Corruption Fines: None
- Political contributions: None
- Compliance training: 99.2% of staff fully trained

Caring for people and our communities

Sentiment

- Client NPS: +75
- Employee NPS: +39
- Staff Churn: 5%

Flexibility & Diversity

- Female Partners: 39%
- Female Directors: 30%
- Female promotions: 58%
- Part time staff: 20%
- Part time Partners: 15%

People Investment

- 25 Trainee Solicitors
- 20 Apprentices
- Employee training: 18,188 hours
- Community: 4hrs/month per person
- Company ownership: 52% of colleagues; 3 company share schemes since IPO

Foundations

- H&S Lost Time Injuries: 0
- Data Protection & Privacy: (ISO27001, GDPR, UK Cyberessentials+)
- Temporary staff: 2%

Looking after the environment

Consumption

- Paper: 87% lower than industry average. Introduced a new target to be a further 33% less by 2022
- Energy: 9% like for like reduction vs 9.9% 3 year target by 2022

Waste

- Hazardous Waste: 0kg
- Recycled/Energy Recovery: 100%

Managing our Business for the Long-Term

Knights runs its operations with the highest standards of corporate governance and conduct. All of this is overseen by a Board of Directors who bring a wide range of relevant skills and experience.

Board role, independence and diversity

The Board guides Knights' approach and is committed to extending its values to all stakeholder groups, including shareholders, clients, employees, governments and regulators, as well as communities in which it operates.

Further details of the Board's outreach are detailed in our Section 172 Statement on pages 30-31 of this Annual Report.

The Board is comprised of three Executive Directors, the Non-Executive Chairman, and a further two independent Non-Executive Directors.

The Board believes that the Directors have an effective blend of financial and public market experience, diversity, skillsets and capabilities. Only one member of our Board - CEO, David - has a legal background, with the rest of the Directors bringing broad experience from operations, sales, human resources, accounting and finance disciplines across a wide range of industries.

Board members

6

Independence

50%

Non-legal background

83%

Gender diversity

1:1

Business ethics and compliance

Scaling our culture of operating responsibly, sustainably and with integrity is essential to the long-term success of the Group.

The Group is governed by the Solicitors' Regulation Authority, the Financial Conduct Authority and its own rigorous approach to conducting its business to the highest standards.

Knights has a rigorous 'Know Your Client' process to ensure that its business is not used as a conduit for the proceeds of crime, terrorism or money-laundering. The Group conducts thorough audits on clients' background before working with them, and its dedicated, independent in-house compliance teams rigorously monitor all work being conducted throughout the business on an ongoing basis. For example, our regulator found in a recent audit that our anti money laundering processes were "robust, comprehensive and well informed".

All colleagues receive mandatory compliance training during the onboarding process and are required to refresh this every year, with over 3,400 hours of refresher training delivered in FY21.

Anti-Bribery and Corruption

Knights is committed to maintaining the highest standards of ethics and compliance with all relevant laws wherever it does business. The Group does not tolerate any form of bribery or corruption and requires all individuals working for it to comply with anti-bribery and corruption laws and ethical standards.

Whistleblowing

All employees of Knights should feel able to raise concerns about any safety, legal or ethical issues. If they feel unable to report these concerns to a manager, the Group also provides a anonymous whistleblowing process, which is detailed on its intranet.

Modern Slavery

The Group has a zero-tolerance approach to modern slavery anywhere in its supply chain and a full copy of its policy is detailed on its website.

Caring for People and our Communities

Knights' culture is a source of immense pride and the Group firmly believes that it is a key differentiator for clients and colleagues alike in a crowded market.

Thriving inclusive culture

The team-based culture is focused on helping colleagues, their communities and clients to thrive.

Central to this is attracting talented individuals who value a culture of mutual respect, collaboration, positivity and transparency. In turn they will then carry and amplify the culture.

Day to day, the approach to nurturing Knights' culture is simple. Focus on what people contribute, not rhetoric or their background. Reward people who lead by example in deed not word. Help each other. Be candid.

The Group is proud of the results that flow from this approach.

Further improvement in the Group's employee net promoter score, an increase of three versus a year ago to +39, reflects the supportive environment that empowers colleagues to be themselves, and use their judgement to do what's right for clients, the business and the wider community. In professional services, empowered and content individuals are key to providing great client service, as is reflected in our client net promoter score of +75.

The inclusive approach has resulted in a diverse organisation when measured against various vectors of diversity, such as the percentage of female Partners being in the top 10 percentile of the industry*, over half of mid and upper quartile earners being female, and benefits from a mix of talent with a diverse range of ethnicities and religious backgrounds as well as sexual orientation.

Whilst proud of what we have created, we continue to focus heavily on sustaining and improving an environment where everyone can thrive.

Employee NPS

+39

Client NPS

+75

Female Partners

39%

Part time colleagues

20%

Retention[1]

95%

Investing in people

Creating a supportive environment in which professionals can pursue their aspirations is highly valued by colleagues and a key differentiator of our business.

Offices
Investing in modern grade A office space to provide a quality working environment for colleagues and fosters teamwork and supports modern ways of working, remains core to our model. In FY21 we moved in to new modern offices in Birmingham, Leeds and Nottingham to provide a quality working environment, whilst creating the capacity to cater for future growth.

Learning & personal development
Investing in the growth of our people is important to the business. Excluding the 25 Trainee Solicitors and 20 Apprentices who are part of formal training programmes, colleagues have received c.18,000 hours of formal training ranging from technical skills, business skills and health and wellbeing.

Flexibility
Knights aims to offer a working environment to suit everyone's work and personal life balance. 20% of colleagues work part time, including 15% of Partners.

Promotions
This key part of career progression continued throughout the pandemic with the Group announcing a high single digit percentage of promotions, including 35 Partner and Senior Associate promotions. Over half of colleagues promoted were female.

Employee ownership
Knights is proud to be able to offer colleagues the opportunity to hold shares in the business. Currently 570 colleagues are shareholders via the Group's various share plans, reflecting the strong sense of ownership they feel and their direct interest in its future prospects.

Community

Our strategy to maximise our positive impact is simple. Create the healthiest working environment possible so that people can thrive, and make it as easy as possible for people to have an impact beyond the business.

Knights believes that people who help other people are more engaged and have deeper perspectives on their community. It's those people who are best placed to drive the business forward in the long-term.

Knights' 4 Our Community programme provides colleagues with four hours per month of work time to spend helping their local communities.

Source:
* The Lawyer Top 200 report 2020.

Note:
1 See Glossary on page 116-117.

4 Our Community (4OC), four hours, for community, for everyone.

Knights believes that the opportunities given to its colleagues to volunteer, fundraise and support a cause that is important to them and has a positive impact on their wellbeing whilst supporting our communities.

4OurCommunity

4OC is our community volunteering framework, giving Knights' colleagues four hours a month to dedicate time and resource to a charity or cause of their choice.

As a consequence of the COVID-19 pandemic, many charities and community projects face hardship. Our aspiration to deliver 50,000+ hours through our refreshed 4 Our Community programme has continued throughout the year, with Knights connecting colleagues with community projects.

Alice Charity

"Since the launch of 4 Our Community, eight colleagues at the Stoke office have volunteered for Alice Charity. Alice Charity works across the communities of Stoke and Newcastle, delivering one-to-one support to vulnerable families to build resilience and independence — and break the cycle of poverty.

Knights' Stoke team were very proud to have been nominated for a prestigious 'Ta Duck' award which was awarded to the team in March 2020 in recognition of its continuing support of Alice Charity."

Tony Earl
Senior Associate, Stoke

Leicestershire Cares

"I have used my 4OC time to support Leicestershire Cares, an award-winning charity which supports vulnerable young people who have been in care take the next steps in life. The organisation provides a safe space for their voices to be heard and aims to break the cycle of 'no home, no job'.

I have had the pleasure of reading with vulnerable junior school children who require assistance with their literacy skills and taking part in "interview technique" workshops at various schools with vulnerable individuals who will be starting to look at making college or work applications."

Tanya Dobson
Solicitor, Leicester

Hospice of the Good Shepherd

"The Hospice of the Good Shepherd is renowned in the area for the incredible work they do with those at the end of life and their families.

Most recently, myself and a few others from the Chester office spent a few afternoons volunteering at the Hospice. The Hospice building is surrounded by grassy verges, which have become overgrown with brambles and weeds. Myself and the team helped to tidy up the surroundings of the building, creating a more welcoming and comfortable environment for the staff and users of the hospice."

Dominic Beddow
Solicitor, Chester

Looking After the Environment

Knights is conscious of its impact on the environment and is committed to making positive changes at every level of its business.

In comparison with other sectors, the Group is fortunate that its environmental impact is relatively low, but climate change is a global challenge and every business has to play its part in minimising the footprint of their operations.

We are delighted to have exceeded our three year goals to reduce our paper and energy use, albeit the long periods of lockdown make it difficult to accurately assess how this will translate into future typical years.

Paper reduction

The number one consumable in the legal and professional services sector is paper, which has traditionally been used heavily in law firms. The importance on reducing it beyond cutting down less trees becomes clear when looking at the full lifecycle.

In 2019 the Group set the 3 year target to reduce usage to 33% lower than the 2019 industry average, driven by the strategy to digitise how professionals work, predominantly through upskilling and habit changing. In FY20 we had already succeeded in exceeding our target, consuming 68% less than average.

In FY21, consumption has reduced by 87% vs industry average, with the continued progress being driven by COVID-19 lockdowns accelerating habit changes, and the launch of our client eSignature solution eliminating a major paper consumption driver. Our focus when colleagues return to the office will be to ensure that we sustain and expand on the good habits and skills.

Paper consumption reduction vs industry average

87%

Target: 33% by 2022

Offices

Accommodating our staff and clients represents our number one use of energy and CO_2e. The Group's strategy for minimising this has two elements:

1. Maximise space efficiency - by consolidating into fewer larger offices, making best use of space via open plan layouts, minimising paper to reduce filing cabinets and printers, plus flexible working to increase occupancy. For example in Nottingham and Derby we have consolidated from four offices into one, reducing energy consumption by 9%, whilst providing a dramatically improved working environment.
2. Maximise energy efficiency - by moving from older office buildings to grade A space equipped with more efficient heating, cooling, lighting systems and superior insulation we have seen a c.9% energy reduction.

Energy reduction per year

9%

Target: 9.9% by 2022

Case study

Knights rapidly modernises the businesses it acquires, investing significantly in improving their digital infrastructure.

The Group recently acquired Mundays LLP and immediately migrated the business onto Knights' operating platform, making improvements to the efficiency of colleagues' ways of workings in an electronic and paper-light fashion.

Our Data Management team quickly mobilised to digitise all paperwork in the office onto Knights' platform working alongside our Learning and Development team to equip all fee earners with technology and training on 'paper-light' ways of working.

During an eight week period we successfully eliminated 2.5million pages of paper from the office environment.

Streamlined Energy and Carbon Reporting

Greenhouse gas emissions (GHG) statement

The Group has reported scope 1, 2 and 3 greenhouse gas (GHG) emissions in accordance with the requirements of Streamlined Energy and Carbon Reporting (SECR).

This includes the Group's stated emissions for one reporting year for the financial year ending 30 April 2021.

Energy and GHG sources included in the process:

- Scope 1: Fuel used in company vehicles and natural gas.
- Scope 2: Purchased electricity.
- Scope 3: Fuel used for business travel in employee owned or hired vehicles.
- All seven Kyoto protocol GHGs were included: CO_2, N_2O, CH_4, HFCs, PFCs, SF_6 and NF_3.

The figures were calculated using UK government 2020 conversion factors, expressed as tonnes of carbon dioxide equivalent (tCO_2e).

Energy Efficiency Actions

Energy efficiency and climate change are at the centre of Knights' strategy. Prior to and during the reporting period the following projects have taken place:

- LED lights have been fitted at the Oxford and Stoke offices.
- A contractor will be carrying out an environmental survey at the Stoke office in June to assess the steps that can be taken to make the building more efficient.
- Chester and Maidstone offices use 100% renewable electricity.

Annual energy consumption: (kWh)	01/05/2020 to 30/04/2021
Electricity	1,428,208
Gas	324,385
Transport fuel	79,238
Total	**1,831,831**

Annual GHG emissions (tCO_2e)	
Scope 1	
Emissions from combustion of gas	59.6
Emissions from combustion of fuel for transport purposes	2.1
Scope 2	
Emissions from purchased electricity - location based	333.0
Emissions from purchased electricity - market based*	276.9
Scope 3	
Emissions from business travel in rental cars or employee vehicles where company is responsible for purchasing the fuel	22.1
Emissions from electricity upstream transportation and distribution losses and excavation and transport of fuels - location based	86.3
Emissions from upstream transport and distribution losses and excavation and transport of fuels - market based*	73.1
Total tCO_2e emissions (location based)	**503.1**
Total tCO_2e emissions (market based)	**433.8**

Intensity (tCO_2e / FTE)	
Full Time Equivalent (FTE) Employees	1,080
Intensity ratio: total location based tonnes per FTE employee tCO_2e / FTE	**0.47**
Intensity ratio: total market based* tonnes per FTE employee tCO_2e / FTE	**0.40**

Intensity (tCO_2e / £ million revenue)	
Revenue (£m)	103.2
Intensity ratio: total location based tonnes per million revenue tCO_2e / £m	**4.88**
Intensity ratio: total market based* tonnes per million revenue tCO_2e / £m	**4.20**

Methodology	GHG Protocol Corporate Accounting and Reporting Standard

Note

* Chester and Maidstone offices use 100% renewable electricity; all others were assumed to use the grid average in the absence of supplier fuel mix in order to calculate market based electricity emissions.

Knights worked with environmental consultant Green Energy to collect the data related to this statement.

Knights was responsible for the internal management controls governing the data collection process. Green Element was responsible for the data aggregation, any estimations and extrapolations applied (as required) and GHG calculations performed, and the emissions statements.

Greenhouse gas emissions were calculated according to the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.

Scope and subject matter:

The boundary of the report includes all UK offices that were operational for any time during the reporting period (Bingham, Birmingham, Cheltenham, Chester, Crawley, Derby, Exeter, Hollins Chambers, Leeds (Majestic & Wellington Place), Leicester, Lincoln, Lombard House, Maidstone, Manchester, Nottingham (Castle Heights, Embankment House & Friar Lane), Oxford, Stoke, Wilmslow & York). Data for the following newly opened offices was estimated on a m^2 basis; Birmingham, Leeds (Majestic) & Nottingham (Embankment House). Actual data will be collected and reported for these newly opened offices in the next reporting year.

Section 172(1) Statement

The Board recognises that the Group has a number of stakeholders and that it needs to seek and understand their views in order for the Company to enjoy sustainable growth.

This section of the Strategic Report describes how the Board and continues to have regard for:

- the likely consequences of any decision in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.

The disclosures set out below are some examples of how the Board have had regard to the matters set out in Section 172(1)(a) to (f) when discharging their Section 172 duties and the effect of that on certain decisions taken by them and how the Board seeks to ensure effective and continuous engagement withits stakeholders.

Engagement with stakeholders

Shareholders

The Board regularly engages with its shareholders and is committed to an open dialogue and fair and equal treatment of all shareholders. The Chairman meets shareholders without management present and reports to the Board. The Board receives regular updates on shareholder engagement and analyst commentary and receives presentations from corporate brokers on investor perception. Knights' CEO has a full programme of engagement with shareholders and presents to the Group's largest shareholders, as well as sell-side analysts, following the full and half year results. The CEO and CFO also meet regularly with individual shareholders.

As a result of Knights being an ABS, regulated by the Solicitors Regulatory Authority (SRA), any shareholder seeking to increase its interest in Knights such that its shareholding in Knights exceeds 10% requires authorisation by the SRA. Through shareholder engagement throughout the year the Board has been able to ensure that shareholders are supported in making such applications to the SRA by the business if they are proposing to increase their interests such that they exceed 10%.

Our Annual General Meeting (AGM) is an important part of effective shareholder communication, with all shareholders having the opportunity to hear from the Company and ask questions. The Board welcomes the opportunity to engage with shareholders, typically providing a brief update presentation at each AGM and with all Directors available to answer questions. The Board would, however, welcome greater participation from shareholders, and the current COVID-19 crisis may alter the dynamics of these meetings in the future. The Company is looking at other ways to broaden the participation of all shareholders.

Employees

During the year engagement with employees whilst the business has worked in a remote environment has been more important than ever. The Executive Directors have ensured constant engagement throughout the period virtually with employees and the Board has received regular updates of the outcome of this engagement via the Executive Directors.

Regulators

The Group continues to work hand in hand with its regulator, the SRA, and its complaints handling body, the Legal Ombudsman, in ensuring that it abides by its professional and regulatory duties and obligations in an open and transparent manner. The Board conducts regular regulatory compliance reviews, with a dedicated Compliance section in every board pack to analyse client risks. Through the CEO and CFO, the Board is in contact with the Solicitors Regulation Authority and, as an AIM listed company, the Group is in regular contact with its Nominated Advisor and the Financial Conduct Authority.

Clients

Knights takes a proactive approach to communicating with clients and updates are regularly provided to the Board by the Chief Executive Officer. The CEO and selected members of the Board also meet existing and potential clients regularly through video conferencing (in light of the COVID-19 pandemic), to maintain its strong relationships. The Board believes that its decision to invest in a variety of technology platforms has ensured that there has been no disruption to client service during the pandemic as Knights was able to immediately move to remote working without missing a beat.

Suppliers

The Group's procurement policy includes a commitment to sustainable procurement and mitigation against the risk of modern slavery, bribery or corruption anywhere in the supply chain. The Group also aims to conduct itself to the highest standards and pay all invoices promptly. The Board plays a key oversight role in these policies.

Community participants

Knights' Environmental, Sustainability and Governance strategy is focused on adding value to the communities in which it operates and is detailed on pages 26-27 of this report. Detailed updates on this strategy and associated programmes of work are provided to the Board and discussed in its Audit Committee.

Decision making

Acquisitions

The Group acquired four law firms during the year, providing additional scale, practice areas and presence in a number of key geographical markets in order to allow it to deliver its strategy to be the leading legal and professional services business outside London. The acquisitions provide enhanced revenue generation which in turn provide returns to shareholders in the longer term and enhanced employment opportunities as part of a wider Group. Prior to completing the acquisitions the Board considered the effects that the acquisitions would have on the Group's gearing and creditors in order to ensure that executing the acquisitions would not adversely impact creditors interests. The Board also considered how each acquisition would fit in with the culture of the business and the long-term value creation strategy of the wider Group.

Addressing the impact of COVID-19

As a result of the COVID-19 pandemic and the measures that have been taken by the government to counteract the impact on public safety the Board had to take swift and decisive action to protect the health and well-being of the Group's employees. In considering the needs of the employees the Board took the decision on 13 March 2020 (prior to the government lockdown) to require all employees to work from home and the employees of the Group have continued to work from home throughout 2020. The Board believes that the Group's previous investments in secure, robust systems, infrastructure and technology platforms has enabled teams to work effectively from home and that its investment, along with a strong team culture, has enabled Knights to protect its colleagues without adversely disrupting service levels to clients, which in turn maintains both client relationships and in the longer term shareholder returns.

In order to preserve jobs and cash reserves to ensure the continued ability to pay suppliers and employees in the event of an economic downturn, the Board took the decision to:

- reduce Board members' salaries by 30%, and the salaries of employees earning in excess of £30,000 by 10% with effect from 1 April 2020, in addition to other cost cutting measures in relation to non-essential capital expenditure; and
- not declare a final dividend to shareholders.

At the earliest available opportunity in October 2020 the Board made the decision to reinstate pay with effect from November 2020 to ensure that once the wider economic effects resulting from the COVID-19 pandemic on the business had stabilised, the employees were no longer impacted financially. In reaching this decision the Board considered all key stakeholders including shareholders, employees and creditors.

Following employee engagement throughout the year the Board made the decision to arrange sessions which all employees were able to participate in with external advisors to promote and support mental wellbeing of employees given the wider effects that the COVID-19 pandemic has had on mental health globally.

Approval of the Budget

The Group's business plan is to drive sustainable growth in the long term, which is in the interest of all of its stakeholders. The Board has paid close consideration to this objective in establishing and approving the 2021 budget and taking measures to continue to improve cash collection and lock up days. In light of the rapidly changing economic climate the Board has had to consider and monitor the impact of COVID-19 on each sector in which the Group operates, ensuring no over reliance on any practice area, professional or individual clients; ensuring the Group is best placed to continue to deliver a high standard of client service through evolving to the new way of working, working closely with its suppliers whilst continuing to focus on minimising the environmental impact of the Group.

Appointment of Gillian Davies

The Board is committed to ensuring that it possesses the right balance of skills, experience and knowledge to perform its duties effectively and deliver strong continued growth. On 17 March 2021 Gillian Davies was appointed as Non-Executive Director and Senior Independent Director of the Group. In selecting Gillian to replace Stephen Dolton, the Board sought external advice and considered the existing skillset and experience of all candidates and the culture of the Group.

Non-Financial Report

We have set out where information related to these disclosures can be found in our Annual Report, including our business model which is set out on pages 14-15. The principal risks relating to these matters and due diligence undertaken in pursuance of our policies is set out in the Risk Management section of our Annual Report, on pages 44-47 respectively.

Requirement	Where to find information	Policy overview
Environmental matters	**Looking after the environment** pages 28-29	The Group's materiality assessment has determined that Knights' environmental impact is relatively low. As a people and services business, Knights' key impacts are the consumption of paper and wider energy usage. We recognise the need to minimise our impact and continually measure and monitor the environmental sustainability of our operations and, where possible, set targets to ensure that we operate with the minimal impact. Knights provides regular environmental and progress updates to employees, clients and other interested stakeholders. A summary of our progress this year is detailed on page 28 and KPIs relating to the Group's streamlined energy and carbon reporting (SECR) is available on page 29.
Employees	**Investment case** pages 04-05 **Chairman's statement** pages 06-07 **Chief Executive's statement** pages 08-10 **Business model** pages 14-15 **Caring for our people and communities** pages 26-27 **Section 172 statement** pages 30-31	As set out in the Investment case, pages 04-05, Chairman's statement, pages 06-07, Chief Executive's statement, pages 08-10 and Business Model, pages 14-15, our employees are an essential component of our business with their health and wellbeing remaining a Group priority. **Health & Safety Policy:** Knights ensures that, so far as is reasonably practicable, the health, safety and welfare of all employees working for the Company and other persons who may be affected by its activities. The policy of management is to do all that is reasonably practicable to prevent personal injury and damage to property. All employees are informed of their personal responsibilities to take due care of the health and safety of themselves and to ensure that they do not endanger others. Knights ensures continued consultation with the workforce to discuss all viewpoints and recommendations at regular intervals. The organisation has a systematic approach to identifying hazards, assessing the risks, determining suitable and sufficient control measures and informing employees of the correct procedures needed to maintain a safe working environment. Knights will provide, so far as is reasonably practicable, safe places and systems of work, safe plant and machinery, safe handling of materials and substances, the provision of adequate safety equipment and ensure that appropriate information, instruction, training and supervision is given. Management is committed to continually measure, monitor and revise an annual plan to ensure that health and safety standards are adequately maintained. The policy is implemented by our Quality, Health and Safety Manager, who recommends any changes to meet new circumstances. **Training:** A wide range of training and development opportunities are available for all employees. Fee-earning colleagues receive mandatory compliance training during the onboarding process and are required to refresh this every year. **Diversity & Inclusion Policy:** Knights is an equal opportunities employer, committed to ensuring the workplace is free from unlawful discrimination, victimisation or harassment on the grounds of age, disabillity, race, sex, sexual orientation, religion or belief. Knights values and is committed to promoting equality and diversity within the workplace by seeking to ensure that all individuals are treated fairly with dignity and respect and by recognising and encouraging individual contribution within the organisation. Knights is committed to ensuring that all its employees and all applicants for employment are protected from unlawful discrimination. Knights does not discriminate against employees. Knights has leading levels of gender diversity for any professional services business and publishes an update of its gender pay gap report on its website on an annual basis. **Conflicts of Interest and Related Parties:** The policy covers our conflicts of interest, which states that Knights can never act where there is an own conflict of interest with a new or existing client. The SRA Standards and Regulations do not allow a client to waive or consent to a conflict of interests with the business. Fee earners are expected to use their judgement and seek further guidance and approval from Compliance in all cases where there may be a potential conflict. Client conflicts are covered under the SRA Standards and Regulations. Where there is a conflict between new or existing clients, Knights cannot accept/continue instructions unless the affected clients have a substantially common interest or are competing for the same objective. Information conflict and duty conflict are also covered by our policy. Knights provides periodic training on the identification of conflicts of interest and compliance is monitored by the Compliance Officer for Legal Practice, who is responsible for this policy. Policies are reviewed at least annually. **Whistleblowing:** Employees are encouraged to report any serious wrongdoing by the firm or its employees that fall short of its business principles. If they feel unable to report these concerns to a manager, the Group also provides a whistleblowing process, which is detailed on its website and provided to employees. Knights undertakes that no employee who raises bona fide concerns under this Policy will be subjected to any detriment as a result.

Requirement	Where to find information	Policy overview
Social matters	**Caring for our people and communities** pages 26-27	As outlined in Caring for Colleagues and Communities, Knights is actively engaged in its communities through both employment and community activities. Knights' legal services are also aimed at helping local businesses thrive and grow. The Group enables colleagues to support their local communities through its 4 Our Community programme, where colleagues can spend four hours of work time per month to offer assistance to organisations, such as charities, schools, care homes, food banks and youth centres or any organisation providing a social, educational, voluntary or charitable service to the community. Knights' aspiration is to deliver 50,000+ hours to its communities through the programme every year.
Respect for human rights	**Managing our business for the long-term** page 24 **Section 172 statement** pages 30-31	**Modern Slavery:** The Group has a zero-tolerance approach to modern slavery anywhere in its supply chain and a full copy of its policy is detailed on its website. The Group's procurement policy includes a commitment to sustainable procurement and mitigation against the risk of modern slavery, bribery or corruption anywhere in its supply chain. The Group also aims to conduct itself to the highest standards and pay all invoices promptly. The Board plays a key oversight role in these policies.
Anti-corruption and anti-bribery	**Managing our business for the long-term** page 24 **Section 172 statement** pages 30-31	Knights has a rigorous 'Know Your Client' process to ensure that its business is not used as a conduit for the proceeds of crime, terrorism or money laundering. The Group conducts thorough audits on clients' background before working with them, and its dedicated, independent in-house Compliance team rigorously monitor all work being conducted throughout the business on an ongoing basis. **Anti-Money Laundering:** Knights ensures its employees are aware of the law and are regularly provided with training in how to recognise and deal with transactions that may be related to money laundering. Knights provides employees with training and a manual to explain its policies and procedures, including reference to its Money Laundering Reporting Officer. Policies apply to all clients and all matters. The firm is required to maintain records of client identification evidence for at least five years from the end of our business relationship with a client. Employee obligations are to carry out "customer due diligence" and to recognise and report suspicious transactions, as well as avoiding tipping off a suspect about a report. **Anti-Bribery and Corruption:** Knights is committed to maintaining the highest standards of ethics and compliance with all relevant laws wherever it does business. The Group does not tolerate any form of bribery or corruption and requires all individuals working for it to comply with anti-bribery and corruption laws and ethical standards. **Whistleblowing:** All employees of Knights should feel able to raise concerns about any safety, legal or ethical issues. If they feel unable to report these concerns to a manager, the Group also provides a whistleblowing process, which is detailed on its website.

Other relevant policies	Summary
Duties to clients	Knights is committed to providing an excellent level of service to its clients and to acting with integrity in all of its dealings which is fundamental to our business strategy. Knights will only accept instructions and provide advice where we are able to meet our commitment to client service. Where instructions or advice are outside the expertise or capability of the business, they will be declined. Employees are aware of specific work types which require specific referral to team risk supervisors. We will always consider the most appropriate style of communication bearing in mind the needs and characteristics of the client. A member of the management team is responsible for client care at Knights and reviews this policy at least annually to ensure continued excellence.
Confidentiality	Confidentiality is a fundamental feature of our relationship with our clients. This duty continues beyond the end of the retainer and even after the death of the client. The protection of confidential information is balanced against the duty of disclosure. In practical terms, this means not speaking about clients, their details or their cases outside the office or in situations where they might be overheard. This duty also applies to information about Knights as a business itself. Where employees cannot reconcile these two duties the protection of confidential information is paramount. Employees can contact Mark Beech or consult the SRA handbook for further information. Breaches of confidentiality are reportable offences and should be referred to the COLP. Breaches of confidentiality may be treated as a serious disciplinary offence.
Business continuity	Unforeseen events could cause considerable disruption to Knights' normal business activity, the potential impact of which could be long lasting, having an effect on health and safety, reputation, market confidence, operating efficiency and financial security. To this end, Knights' policy is to take measures to protect itself to ensure it is prepared and efficient in responding to such adverse situations. Best practice business risk management principles balance risk with the economics of investing in cost effective loss prevention and minimisation. These principles include the highest regard for the safety and health of employees, clients and the public, the continuation of the highest quality service to our clients and the protection and preservation of property and the environment. This has been amply demonstrated in our response to the COVID-19 crisis.

Financial Review

“I am pleased to report strong performance for the Group in the financial year, despite the impact from the economic effect of the COVID-19 pandemic during the period.”

Kate Lewis
Chief Financial Officer

Our swift and prudent cost reduction programme undertaken at the start of the pandemic enabled us to trade well through the difficult macro-economic environment during the first quarter of the financial year. Although our robust IT platforms and paperless way of working meant that as a business we were able to transition to remote working immediately with no down time or reduction in our ability to transact, difficulties encountered in the wider economic environment had a significant impact on our level of fee income for the first quarter of the financial year. However, as the wider environment adapted to the new way of working, we experienced a significant increase in activity levels and new business instructions and were well positioned to maximise the opportunities available.

During the year we continued to invest in the recruitment of high quality senior recruits, who bring with them a strong client following, develop and train our client service professionals and expand the strong management and operational professionals required to support our continued growth strategy. We also used the time working remotely to invest in the high quality office environment that we consider key to maintaining our collaborative, one team culture by relocating to new office space in Birmingham, Leeds and Nottingham and investing in the refurbishment of these spaces as necessary, taking advantage of the attractive lease arrangements available. Despite the disruption caused by the pandemic, I am delighted that we have continued to build on our historic strong track record of cash generative revenue and profit growth over the past six years, with a further 39% increase in revenue and a 35% increase in Underlying Profit Before Tax (PBT).

Our continued focus on cash flow has resulted in excellent cash conversion of 96% for the year, with net debt being lower than expected, positioning the Group well to maximise on the organic and acquisition opportunities that are expected to arise as we emerge from the pandemic and lockdown conditions.

Financial results

	2021 £'000	2020 £'000
Revenue	**103,201**	74,254
Staff costs	**(62,707)**	(45,578)
Other underlying costs and charges	**(22,075)**	(15,060)
Underlying profit before tax*	**18,419**	13,616
Amortisation of acquisition related intangibles	**(2,622)**	(1,427)
Non-recurring finance costs*	**-**	(41)
One-off costs on acquisitions *	**(10,288)**	(8,090)
Profit before tax	**5,509**	4,058
EPS	**4.14p**	2.44p
Underlying EPS	**18.30p**	14.33p

Revenue

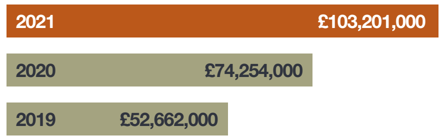
Reported revenue for the period was £103.2m compared with £74.3m in FY20, representing a 39.0% increase.

Of this increase 2.8%, or £2.1m, was a result of the acquisitions made during the financial year and £28.4m relates to the full year benefit of acquisitions made in FY20.

The Group achieved strong organic growth of 10% in the second half of the year amounting to £3.2m when compared to the second half of FY20. This was offset by a 15% reduction in organic revenue in the first half of the year due to the immediate impact of the COVID-19 pandemic, giving a 3% reduction in organic revenue for the financial year as a whole.

As a well-diversified business with a full-service offering, the business has proven to be resilient as the macro economic environment started to recover from the initial shock of the pandemic. Whilst the extended lockdown in January and February 2021 had some impact on trading levels during February, momentum and activity have increased in the last two months of FY21 and the start of the current financial year as we emerge from the pandemic.

This strong momentum in activity with both existing and new clients along with recruitment of high calibre individuals and a continued focus on appropriate pricing of matters, gives confidence in our ability to drive our strategy to deliver strong organic growth, supplemented by further revenue growth from carefully selected acquisitions.



Revenue growth

+39.0%

Staff costs

Total staff costs represented 60.8% of revenue during the financial year compared with 61.4% in 2020.

During the initial stages of the COVID-19 pandemic we undertook a cost reduction exercise. As part of this exercise all employees earning more than £30,000 took a temporary 10% reduction in salary, with the Board taking a 30% reduction. These cost saving measures remained in place until 1 November when all employees returned to full salaries as the Board became confident that activity levels were returning to pre COVID-19 levels. No companies within the Group benefitted from the Government's Job Retention Scheme whilst operating under Knights' ownership.

Fee earner staff costs have decreased from 52.1% of revenue to 51.1% reflecting the continued effort to control costs whilst also investing in high quality senior recruits who bring a client following. During the year 29 partners have joined the Group as part of our active recruitment process. This represents a significant investment as it would typically take three to six months for each of these new recruits to achieve the full expected fee earning run rate.

We have continued to invest in our operational infrastructure in FY21, focusing on increasing the management resource available within the Group to ensure we have a properly structured operational management team with the bandwidth to drive growth, operational efficiency, profitability and cash generation as well as the effective integration of acquisitions. This together with the full year impact of the investment in FY20 has increased support staff costs for the year to 9.7% of revenue from 9.3% in the prior year.

Management anticipates that these costs will now begin to be leveraged by the increased fee generating capacity of the business and the return to normal levels of trading as the economy recovers from the pandemic.

Total staff costs (as a % of revenue)

60.8%

2020: 61.4%
2019: 57.2%

Direct staff costs (as a % of revenue)

51.1%

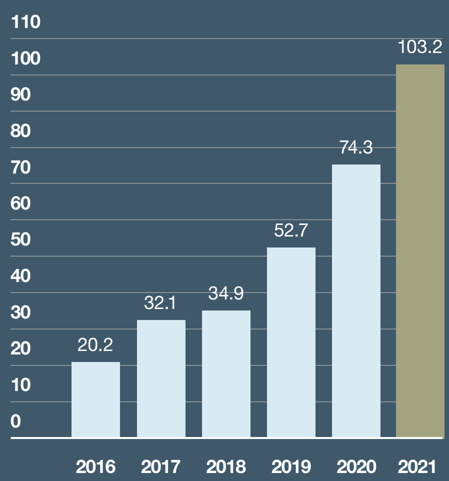
2020: 52.1%
2019: 49.6%

Support staff costs (as a % of revenue)

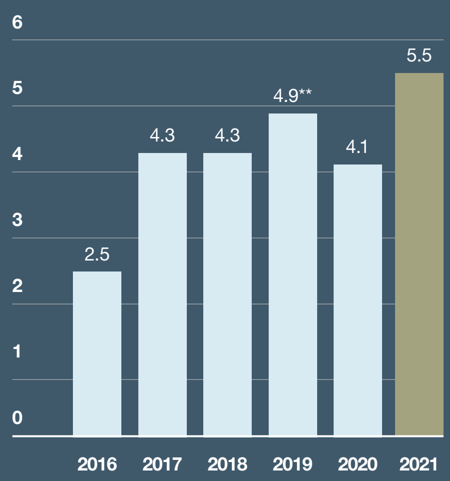
9.7%

2020: 9.3%
2019: 7.6%

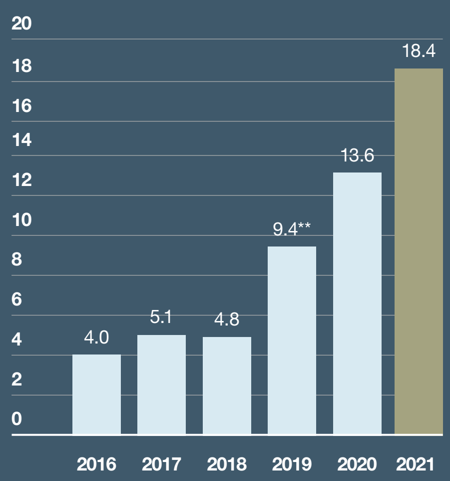
Revenue (£m)



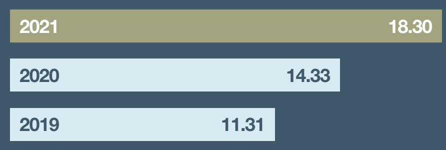
Reported profit before tax (£m)



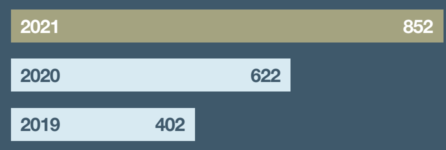
Underlying profit before tax* (£m)



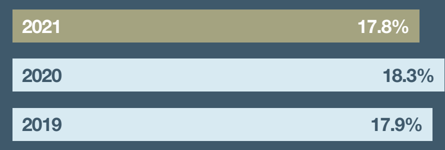
Underlying EPS (p)*



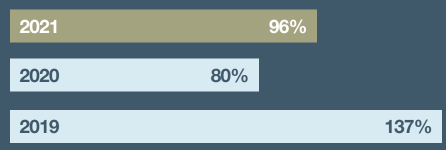
Average number of fee earners



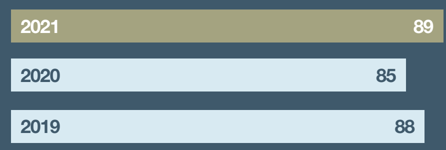
Underlying PBT margin*



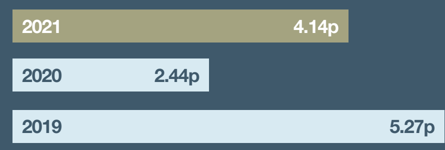
Cash conversion*



Lock up days*



Reported Basic EPS



Note
* See Glossary on page 116-117.

Financial Review continued

Underlying profit before tax (PBT)*

The first half of the year was significantly impacted by the impact of COVID-19, therefore headline figures for the year have been analysed into half years in the table below to enable a view of the Group's trading performance as the economy recovers from the initial shock of the pandemic.

	H1 FY 21 £'000	H2 FY 2021 £'000	FY 21 £'000	H1 FY 20 £'000	H2 FY 20 £'000	FY 20 £'000
Revenue	46,237	56,964	103,201	31,977	42,277	74,254
Other operating income	539	771	1,310	281	613	894
Staff costs	(29,635)	(33,072)	(62,707)	(19,931)	(25,647)	(45,578)
Depreciation and amortisation charges	(3,367)	(4,363)	(7,730)	(2,010)	(2,266)	(4,276)
Impairment of trade receivables and contract assets	(105)	(118)	(223)	(93)	(19)	(112)
Other operating charges	(7,909)	(8,264)	(16,173)	(4,921)	(6,583)	(11,504)
Non-underlying costs	(6,007)	(4,281)	(10,288)	(1,848)	(6,242)	(8,090)
Operating (loss)/profit	**(247)**	**7,637**	**7,390**	**3,455**	**2,133**	**5,588**
Finance costs	(890)	(991)	(1,881)	(625)	(864)	(1,489)
Non-recurring finance costs	-	-	-	(41)	-	(41)
(Loss)/profit before tax	**(1,137)**	**6,646**	**5,509**	**2,789**	**1,269**	**4,058**
Taxation	(337)	(1,770)	(2,107)	(675)	(1,564)	(2,238)
(Loss)/profit and total comprehensive income for the year attributable to equity owners of the parent	**(1,474)**	**4,876**	**3,402**	**2,114**	**(295)**	**1,820**
Underlying Profit Before Tax*	5,993	12,426	18,419	5,253	8,363	13,616
Underlying PBT margin*	13.0%	21.8%	17.8%	16.4%	19.8%	18.3%
Underlying Profit After Tax*	-	-	15,040	-	-	10,706
Basic EPS (pence)	-	-	4.14	-	-	2.44
Underlying earnings per share (pence)*	-	-	18.30	-	-	14.33

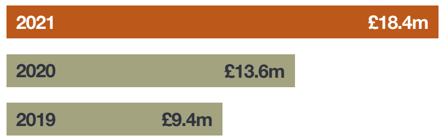
Underlying profit before tax excludes amortisation of acquired intangibles, transaction and onerous lease costs in relation to acquisitions, disposals of acquired assets, restructuring costs as a result of the streamlining of the support function in acquisitions and the restructuring undertaken in response to the COVID-19 pandemic. It also excludes contingent consideration payments required to be reflected through the Statement of Comprehensive Income under IFRS and share-based payments for one-off share awards made at IPO and as part of the acquisitions, and the one-off Share Incentive Plan offered to employees as a result of the listing. Any share-based payments charges relating to ongoing SAYE and LTIP schemes are recognised as underlying costs of the Group.

Underlying profit before tax has been calculated as an alternative performance measure (see note 36 of the financial statements) in order to provide a more meaningful measure and year on year comparison of the profitability of the underlying business.

Underlying profit before tax has increased by 35.3% compared with the same period last year to £18.4m (2020: £13.6m), representing a margin of 17.8% for the full year compared with 18.3% in the prior year. This represented a resilient performance given the significant impact of the COVID-19 pandemic in the first half of the year which reduced the margin in the first half of the financial year to 13.0%, compared to 16.4% in the prior period, despite the mitigating cost reduction measures taken.

As the Group entered the second half of the year and activity levels were beginning to return to pre pandemic levels, all employees returned to full salary levels. Despite the impact of the extended lock down in January and February 2021 and the continued investment in recruitment, the support function and the office base, the Group generated an underlying PBT margin of 21.8% in the second half of the year compared to 19.8% in the comparative period of the prior year. The improvement in margin is a result of the increase in fee income leveraging general overheads and finance costs in the business which is particularly encouraging given the level of investment in the business.

In addition to the investment in fee earning and support staff as discussed above, acquisitions also have a margin-diluting impact for the first full year post acquisition as support functions are streamlined and the acquired business is integrated into the Group more generally before obtaining expected profitability levels thereafter.



Increase in underlying PBT*

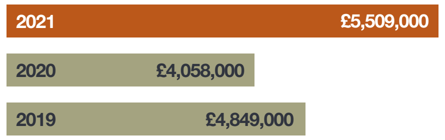
+35.3%

Underlying PBT* growth

Note
* See Glossary on pages 116-117.

Reported profit before tax (PBT)

The reported profit before tax for the year has increased by 35.8% to £5.5m (2020: £4.1m). The increase in reported profit before tax of £1.4m in the year reflects the net impact of increased underlying profit before tax of £4.8m driven by increased revenue at a slightly reduced underlying PBT margin, increased amortisation of acquired intangibles of £1.2m and the increased non-underlying costs of £2.2m. The significant increase in the non-underlying costs incurred is due to an increase of £2.9m in the contingent consideration element of the purchase cost of acquisitions being recognised in the Statement of Comprehensive Income in accordance with IFRS accounting conventions, offset by a reduction of £0.7m in other restructuring and one off transaction costs.



Reported profit before tax growth

+35.8%

Earnings per share (EPS)

The weighted average number of shares in the year to 30 April 2021 was 82,189,113 (2020: 74,675,462) which gives a basic earnings per share (Basic EPS) for the year of 4.14p (2020: 2.44p). Taking into account the number of share options that the Group has outstanding at the year end gives a diluted EPS of 4.09p (2020: 2.41p).

In order to compare the EPS year on year, the underlying EPS has been calculated showing 18.30p in the year to 30 April 2021 compared with 14.33p in the prior year. This measure eliminates the effect of any non-recurring and non-underlying costs on the EPS calculation.

Underlying EPS *

18.30p

2020: 14.33p
2019: 11.31p

Basic EPS

4.14p

2020: 2.44p
2019: 5.27p

Corporation tax

The Group's tax charge for the year is £2.1m (2020: £2.2m) which was made up of a current corporation tax charge of £2.6m (2020: £1.9m) and a deferred tax credit of £0.5m (2020: deferred tax charge of £0.3m).

The deferred tax charge credit arises largely from the reversal of the deferred tax liability on acquired intangibles.

The total effective rate of tax is 38% (2020: 55%) based on reported profit before tax. This has been adversely affected by non-underlying items (largely amortisation of acquired intangible assets and the recognition of contingent consideration on acquisitions against profits) that are not tax deductible. The effective rate of tax on the underlying profit of the business is 18% (2020: 21%) (see note 16 of the financial statements).

Effective rate of tax on underlying profit

18%

2020: 21%

Dividend

Due to the COVID-19 pandemic and the resultant uncertainty of the effects on the UK economy the Board undertook cost cutting measures across the Group to ensure that the business was in the best possible position given the current uncertainty. The Board has therefore decided that, given the cost saving measures put in place during the year in relation to COVID-19, it would not be appropriate to propose a final dividend for the financial year at this time.

The Board intends to resume paying dividends in respect of the year ended 30 April 2022 in accordance with the previous dividend policy, being 20% of profits after tax.

Dividend per share (pence)

0p

2020: 1.10p
2019: 1.87p

Financial Review continued

Balance sheet

	30 April 21 £'000	30 April 20 £'000
Goodwill and intangible assets	79,523	69,135
Right of use assets	40,406	23,749
Working capital	28,619	27,681
Other net assets /(liabilities)	(991)	(2,012)
Lease liabilities	(42,640)	(23,844)
	104,917	94,709
Cash and cash equivalents	4,783	12,741
Overdraft	(1,852)	-
Borrowings	(24,064)	(28,650)
Net debt *	**(21,133)**	**(15,909)**
Deferred consideration	(1,095)	(2,850)
Net assets	**82,689**	**75,950**

* Net debt excluded lease liabilities.

The Group's net assets as at 30 April 2021 increased by £6.7m from the prior year reflecting the shares issued in relation to acquisitions in the year and profit during the year.

Goodwill and intangible assets

Included within intangible assets and goodwill is £31.8m of intangible assets, identified on current and prior acquisitions. This relates to customer relationships, values attached to restrictive covenants, brand and computer software. The balance relates to goodwill of £47.7m arising from acquisitions.

The Board carries out an impairment review of goodwill each year to ensure the carrying value is supportable. The value in use of the goodwill was calculated using a number of different scenarios, some of which assumed a considerably worse outcome than is anticipated by the Directors. In all instances the future trading of the business was more than sufficient to justify the carrying value of goodwill. Therefore as at 30 April 2021, the Board concluded that the goodwill was not impaired.

£79.5m
2020: £69.1m
2019: £46.4m

Working capital

The Group manages its working capital requirements closely, with impact on working capital being a key consideration in all business decisions. The management of working capital has always been a key performance indicator for management with strong controls and systems in place to monitor the level of debtors and work in progress in the business. Lock up days is the primary metric used by the Group to measure the length of time it takes to convert work recorded into cash received and this is discussed in the Key Performance Indicators section.

Due to the strong controls already in place the Group did not experience any significant change in its working capital cycle throughout the year as a result of the pandemic. Bad debts remain low at the same level as prior years of 0.2% of turnover.

Management are satisfied with the level of working capital at the year end which at £28.6m remains at a similar level to FY20 (£27.7m) despite the acquisitions and growth in business during in the year.

Bad debt (as a % of revenue)

0.2%
2020: 0.2%
2019: 0.8%

Right of use assets and lease liabilities

The right of use assets capitalised in the Statement of Financial Position represents the present value of property, equipment and vehicle leases. The increase in right of use assets during the year from £23.7m in FY20 to £40.4m in FY21 is due to new leases acquired as part of the acquisitions completed during the year and new leases entered into by the Group during the period.

The lease liabilities represent the present value of the total liabilities recognised for right of use assets and the increase during the year to £42.6m (FY20: £23.8m) again reflects the leases in acquired entities and new leases entered into during the period.

Right of use assets

£40.4m
2020: £23.7m
2019: £19.5m

Lease liabilities

£42.6m
2020: £23.80m
2019: £19.0m

Net debt, financing and leverage

The strong cash conversion in the period has resulted in net debt of £21.1m at the year end which was £1m better than expectations. This figure represents an increase in net debt from the £15.9m as at April 2020 due to an aggregate cash outlay of £12.5m relating to consideration for acquisitions made during the period and deferred consideration paid in relation to acquisitions in prior years.

The Group's RCF facility remains at £40m giving significant headroom to continue to support the growth strategy into 2022 through organic recruitment and carefully selected, culturally aligned acquisitions.

Net debt

£21.1m
2020: £15.9m
2019: £14.1m

Leverage (multiple of underlying EBITDA*)

0.8 x
2020: 0.9 x

Cash conversion

	2021 £'000	2020 £'000
Net cash generated from underlying operating activities*	**20,378**	13,791
Tax paid	**(2,125)**	(2,907)
Cash outflow for IFRS 16 leases (rental payments excluded from operating activity cash flows under IFRS 16)	**(3,741)**	(2,366)
Free cash flow	**14,512**	8,518
Underlying profit after tax*	**15,040**	10,706
Cash conversion	**96%**	80%

The cash conversion percentage measures the Group's conversion of its underlying profit after tax into free cash flow. Due to the continued focus on management of working capital and lock up, the Group has again delivered strong cash conversion of 96% (2020: 80%). This includes the payment of the £800,000 of VAT deferred under the Government VAT deferral scheme at 30 April 2020. Excluding this payment would give a cash conversion of 102%.

Capital expenditure

During the year the Group continued to invest in its systems and premises to expand its capacity and ensure staff continue to benefit from a high quality working environment, with consistent systems across the Group to aid integration and a one firm culture.

The total £4.3m (FY20: £2.1m) invested in capital expenditure (excluding right of use assets capitalised as part of the adoption of IFRS 16) included the following one-off non-recurring significant items required as a result of the acquisitions and continued growth of the Group:

	£m
Refurbishment of new offices in Birmingham, Leeds and Nottingham	**3.2**
Provision of new / upgraded IT equipment	**0.6**
Total	**3.8**

Other capital spend in the financial year relates to general investment in the IT, communications and infrastructure required for the increase in the number of employees, and to support the programme of rolling out IT upgrades to ensure the Group's technology is up to date and sufficient to meet the needs of the business.

During the year the Group signed leases for new or upgraded premises in Leeds, Nottingham and York. Under IFRS16 these are accounted for as right of use assets and accordingly £16.4m has been capitalised within non-current assets in the Consolidated Statement of Financial Position.

The significant investment in both the signing of new leases and refurbishment of offices during the year underpins the Group's strategy of building a team culture of working together in modern offices in prime locations. The home working period during the pandemic offered the opportunity to carry out this work whilst minimising disruption to the business. Whilst our plan is to move to a hybrid way of working once social distancing guidelines allow, offering a high quality office environment is seen as key to encouraging individuals to work together collaboratively as one team and to attracting high quality recruits. The future hybrid format of working should enable the Group to get a further 20% capacity out of current office space, thereby maximising the potential leverage of these costs.

The capital budgets for FY22 include the normal level of expected investment in general IT, communications and infrastructure to ensure we have the capacity required for a growing business. Due to the acquisitions completed during the year and some relocation of offices due to expiring leases we expect some one-off refurbishment costs in respect of the York, Maidstone, Sheffield and Weybridge offices amounting to circa £1.8m in the current financial year.

Acquisitions

During the year we completed three acquisitions and exchanged on a fourth. The table below summarises the net impact of the acquisitions during the year and in prior years on cash in the current year and in future years. This shows the impact of consideration payable net of any cash in the acquired businesses.

Financial year ended	Cash impact from acquisitions in the year £m	Cash impact from prior year acquisitions £m	Total cash impact from acquisitions £m
2021	3.6	8.8	12.4
2022	6.1	5.0	11.1
2023	2.7	–	2.7
2024	1.6	–	1.6

The above includes estimated contingent consideration charged as remuneration in the Consolidated Statement of Comprehensive Income.

Acquisitions completed are generally structured with an initial cash outlay of just one third of the total consideration, with one third of the consideration being offered in shares and the balance being paid upon the first and second year anniversaries post completion.

The strong cash and lock up management systems in the Group mean that often cash is generated from the balance sheets of acquired businesses.

Tax - Cash flow impact

Corporation tax
Corporation tax of £2.1m (FY20: £2.9m) was paid during the year.

VAT
During the COVID-19 pandemic the Group benefitted from the temporary ability to defer VAT payments. As at 30 April 2020 this had a positive impact on cash of approximately £0.8m. All deferred VAT has been repaid before the end of the financial year but this had a negative impact on the cash flow figure during FY21.

Note
* See Glossary on pages 116-117.

Financial Review continued

Key performance indicators

Management uses a number of key performance indicators (KPIs) to monitor the Group's performance against its strategic objectives. These comprise a number of financial and non-financial measures which are agreed and monitored regularly at Board meetings.

The financial indicators are calculated based on underlying results excluding any one-off transactional and acquisition related costs. The Board is of the opinion that these operational factors are key drivers for the Group's financial success.

From our first acquisition in 2012, the management team has been focused on growing the profitability and improving the cash generating ability of the business. As a result, the Board reviews KPI's related to these metrics in line with the long term strategy of building a strong sustainable business with strong cash flows and increasing underlying profitability.

As the business has grown and diversified the Board has de-emphasised the importance of KPIs related to absolute fees and profits generated per fee earner. Focus is now increasingly placed on overall growth in fee income and profitability with a view to improving the profit margins achieved across the business, whilst still maintaining a well invested business with a strong management and support function able to meet the changing needs of a fast growing business.

Lock up

Lock up days is a key driver in delivering strong cash performance and is the primary metric used by the Group to measure the length of time it takes to convert work recorded into cash received.

It is calculated as the combined debtor and work in progress (WIP) days for the Group. Management of lock up has continued to be a key focus of the Group over the period as it drives the cash generation necessary to support the growth strategy of the Group.

Year end lock up days of 89 remained below the Group's targeted figure of 90 days. This compares favourably to the total lock up of 105 days as at 30 April 2020. The prior year total lock up days of 105 was adversely affected by the longer lock up profiles of acquisitions during the year which at 30 April 2020 averaged at 130 days. By 30 April 2021 this had been reduced to 97 days, which was more in line with the Group lock up target of 90 days demonstrating how well all of the acquired businesses have integrated into the Group over the period, adopting our culture of ensuring strong cash generation.

The acquisitions made during FY21 have had an adverse impact on the lock up profile of the Group at the year end. Excluding FY21 acquisitions, lock up remains at 89 days (30 April 20: 85 days excluding acquisitions in the financial year). The average lock up days of acquisitions at the time of completion was 108 days which had reduced to 91 days as at 30 April 2021. These figures exclude the lock up relating to the Keebles acquisition due to the exchange on this acquisition taking place on the final day of the trading period.

Management are satisfied with the level of lock up at the year end which remains significantly better than the industry average.

Underlying profit before tax (PBT)

Since the adoption of IFRS16 in FY20 the Board has prioritised the KPI of underlying PBT as a more accurate measure of its performance as this reflects all of the property and lease costs incurred by the Group. The Board believes that it is an important metric for monitoring the profitability of ongoing operations.

Underlying PBT excludes amortisation of acquired intangibles, transaction and onerous lease costs in relation to acquisitions, disposals of acquired assets, restructuring costs as a result of the streamlining of the support function in acquisitions and the cost saving exercise undertaken in response to the COVID-19 pandemic. It also excludes contingent consideration payments required to be reflected through the Statement of Comprehensive Income under IFRS and share-based payments for one-off share awards made at IPO and as part of the acquisitions, and the one-off Share Incentive Plan offered to employees as a result of the listing. Any share-based payments charges relating to ongoing SAYE and LTIP schemes are recognised as underlying costs of the Group.

The underlying PBT for 2021 has grown by 35% over the 2020 comparative period.

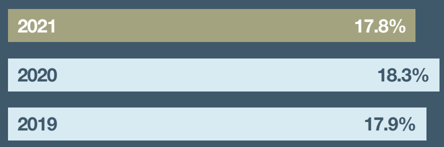
Lock up days

89 days

2020: 85 days
excluding the impact of the extended lock up on acquisitions made during the year

Underlying profit before tax *

+35.3%



Note
* see Glossary on pages 116-117.

This represents a PBT margin of 17.8% compared with 18.3% in FY20 and 17.9% in FY19. The profitability in FY21 has been held back by the significant impact that the COVID-19 pandemic had on the business during the first quarter of the year and the acquisitions completed during both the latter half of FY20 and FY21 that initially operate at lower than Group margins with the Group taking twelve to eighteen months to maximise cost savings and increase profitability in line with Group profit margins. However, analysis of the results on a half year basis shows that margins in the second half of the financial year were 21.8% compared to 19.8% in H2 of FY20 and 17.4% in H2 of FY19. Comparing the profitability in the second half of FY21 to the second half of FY19 eliminates the impact of COVID-19 on margins in the last month of the FY20 financial year. The increase in margin over the two year period reflects the fact that the increased scale of the business is further leveraging the overheads of the business whilst also allowing the Group to invest in new fee earners, support staff and larger premises to provide a strong base for future growth.

Fee earner to non-fee earner ratio*

Knights' business model and use of technologies have been key in enabling the Group to maintain a fee earner to non-fee earner staff ratio that is much higher than the average for the sector. This continues to be one of the key differentiators in Knights' business model enabling the Group to generate such strong margins.

This ratio depends on where the Group is at in terms of its growth strategy. As at 30 April 2021 the Group was operating at a ratio of 4.5 fee earners for every one support staff (30 April 2020: 4.8:1). The reduction in the ratio compared to the previous period reflects the restructuring of excess resource at the start of the pandemic and a focus on recruiting at partner level.

Fee earner to non-fee earner ratio

4.5:1

2020: 4.8:1

Note
* See Glossary on pages 116-117.

Financial Review continued

Revenue growth

Although underlying profit before tax is our main KPI, a key strategy for the Board is to grow fee income via a combination of organic and acquisitive growth and as such the level of fee income growth is monitored closely by the Board on a monthly basis.

Acquisitive growth is generated via the acquisitions completed each year. No targets are set for the revenue acquired during the year as acquisitions will always be led by where cultural fit is strongest. Income from acquisitions is treated as acquisitive income growth in the year of acquisition and the first full financial year following acquisition based on the fees generated by the individuals joining the Group from the newly acquired offices. Recruitment of individuals into the acquired offices post acquisition is treated as part of the organic growth of the business. Due to the Group's strategy to fully integrate all acquisitions into the business within approximately 12 months post acquisition, at the end of the first full financial year following acquisition the income from acquired individuals is deemed to form part of the base Group business and any future growth/decline in revenues impacts the organic growth of the Group.

Organic growth in revenue is achieved via annual pricing reviews and recovery of time recorded, cross selling of further services to existing clients, new client wins and recruitment of senior fee earners who bring with them a good quality client following and capacity to take on more work.

Acquisitive fee income growth

Acquisitions that completed during the year contributed £2.1m to revenue for the year and the full year impact of acquisitions made in FY20 added £28.4m. Total income from the FY20 acquisitions was £38.9m, the full year impact being net of the income recognised in FY20 for these acquisitions of £10.5m.

The acquisitions that completed in FY20 were generating income of £45.9m per annum at the point of acquisition. We typically budget for a circa 20% loss of income through intended churn and streamlining of unprofitable work streams giving a base expected fee income of £36.7m. Therefore during the year the FY20 acquisitions have outperformed management's expectations.

The number of full time equivalent fee earners in the Group remained constant at 865 (FY20: 865). Underlying this was a combination of successfully bringing on new recruits and new joiners via acquisition, partially offset by restructuring undertaken as a result of the COVID-19 pandemic and normal course performance management.

Organic fee income growth

The overall movement in organic fee income for the year shows a decline of 3% compared to FY20. This reflects the impact of the COVID-19 pandemic on the macro economic environment during the first quarter of the year, with the organic growth result in H2 being significantly higher than H1 (-15%). However through a combination of the increasing momentum through the second half of the year, the continued work on recovery of time, pricing and the recruitment of high quality individuals with a client following, the Group reported strong organic growth of 10% for the second half of the year (compared to H2 in FY20). As the economy continues to recover from the pandemic, management remain focussed on maximising the organic opportunities available to the Group through further focus on developing existing client relationships and further recruitment of high calibre individuals with a client following.

Although not a KPI in its own right, the level of fee income is a product of the number of fee earners employed and the fees per fee earner generated during the year, with the quality of the people in the business being an important driver of the latter.

Average full time equivalent fee earners during the year

852

2020: 622

Fees per fee earner

£121k

2020: £119k

In summary

The Board is pleased with the profitability during the year which has been achieved despite the significant investment in the strengthening of the management and support staff function. Income has grown as a result of acquisitions during the current and prior year and strong organic growth was achieved in the second half of the year, reflecting the continued onboarding of high quality talent and clients, as well as improving our pricing.

The ability of the Group to deliver such a strong result is particularly pleasing in the context of the significant impact of COVID-19 during the year.

In addition to the above, the lower than anticipated levels of net debt, due to the Group's excellent cash management, places the Group in a strong position to continue to grow the business both organically and through selective acquisition opportunities.

Kate Lewis
Chief Financial Officer
14 July 2021

Principal Risks and Uncertainties

The Board is responsible for continually reviewing and assessing the principal risks facing the Group, both from a financial and non-financial perspective and ensuring that controls are put in place to ensure the Group's exposure to these risks are minimised.

Although risks and uncertainties are formally reviewed annually by the Board, they are continually considered by the Board in all business and strategic decisions. The principal risks are identified as follows but the Board recognises that the nature and scope of risks that the Group is exposed to may change and as such this list is not intended to be exhaustive:

Principal risk	Description	Mitigation
Professional liability and uninsured risks	The Group provides, amongst other things, legal, tax, and town planning services which gives rise to the potential liability for negligence, breach of regulatory duties or other similar third party claims. Such claims have the potential to cause financial loss and could also negatively impact the reputation of the Group which ultimately could adversely affect the financial performance of the Group.	The Group maintains comprehensive professional liability insurance to reduce or mitigate against any financial risk from claims that may be made. Potential claims and complaints are dealt with by a central team within the business to ensure that they are handled effectively, and in line with the Group's policies and procedures. Further investment has been made into the claims and complaints team during the financial year in order to strengthen this department as the business continues to grow. The claims team works closely with insurers and the relevant regulatory bodies to proactively identify and minimise risk. The processes and procedures implemented by the business are continually reviewed and amended to take into account up to date guidelines and advice, and are communicated to the lawyers and advisers within the business. The Board considers the business' professional duties to its clients to be of paramount importance and considers that the business has appropriate processes and procedures in place and generally has a good claims history.
Regulatory and compliance risk	The legal sector is heavily regulated and as a result, in addition to the normal government guidelines and regulations that a business is subject to, the Group is also regulated by the Solicitors Regulation Authority (SRA), Information Commissioners Office (ICO) and Financial Conduct Authority (FCA). Non-compliance with any regulations could result in reputational damage to the business and may have financial implications.	The Group has a strong Compliance and Regulatory team which regularly monitor compliance with all necessary regulations. External advice is taken if required. The Board is regularly updated on any regulatory developments and any re-assessment of risk so that it can ensure that such matters are fully considered in all business and strategic decisions.
	Restrictions imposed by the Legal Services Act 2007 (LSA) Knights Group Holdings PLC is a Licensed Body. The LSA places restrictions on the holding of 'restricted interests' in Licensed Body law firms. This restricts the maximum shareholding that can be held, without prior SRA approval, by a non-lawyer shareholder to 10 percent of the issued share capital. If a non-authorised shareholder were to obtain a shareholding in excess of 10% this would be classed as a criminal offence and the SRA could force divestment or revoke the Licensed Body status of the Group.	The Compliance team works closely with the SRA to ensure there are no breaches and reviews shareholding regularly in order to enable the Compliance team to assist shareholders with seeking appropriate authority from the SRA to the extent that their shareholding exceeds or is expected to exceed 10%. The Board ensures that advisors and shareholders are aware of this issue.
	Employee misconduct and litigation As a professional services provider, the Group is exposed to the risk that personnel may engage in misconduct or improper use of confidential client information. Such misconduct could damage the Group's reputation or result in regulatory sanctions and financial damage.	The Group aims to ensure that colleagues are appropriately trained, supervised and incentivised to ensure their behaviour and activities do not inadvertently result in poor outcomes for clients. Knights adheres to an Information Security policy and processes that draw on best practice from ISO 270001 and Cyber Essentials plus. This policy is delivered annually to all colleagues and new recruits on induction and integration of an acquired business. The Group takes data protection seriously and has in place robust data protection procedures to ensure it is compliant with GDPR regulations. The Compliance team undertake regular audit of files and the Group maintains robust processes to mitigate the risk of fraudulent transactions.

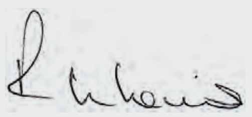
Principal risk	Description	Mitigation
Operational financial risk	The key areas of operational financial risk for the Group, like all professional services businesses, include: • incomplete recording of time worked by fee earners in the provision of services to clients; • incorrect valuation of contract assets (unbilled revenue); and • failure to collect monies owed to the Group from its clients for work performed on their behalf or expenses incurred in the course of performing the work.	The Group prepares an annual budget on a bottom up basis. The budget is phased on a monthly basis and includes specific assumptions relating to number of fee earners; number of client hours per day and the recovery rate for the work done. Each month the actual performance of the Group is compared to the budget and the prior year period and material variances are investigated. This control allows management to identify potential areas of risk and to take appropriate corrective actions. Contract assets are valued on a monthly basis by the responsible fee earner. Once complete this valuation is further reviewed to ensure it is appropriate and in accordance with expected recovery levels. The Group's standard credit terms are 30 days from date of invoice. The Group aims to collect all receivables in accordance with these terms. Debtor days and aged unpaid bills are monitored continuously to ensure that monies owed to the Group are collected on a timely basis. The Group has a robust system in place for chasing overdue debts, the effectiveness of which is demonstrated by its industry leading low levels of debtor days. Continuous training and engagement is undertaken with all colleagues by the senior management team regarding each of these areas of financial risk.
Personnel	**Ability to attract and retain personnel** The ability to attract and retain suitably qualified and experienced personnel is critical to the Group's success as colleagues within the business constitute the principal assets and contributors to revenue. There is strong competition in the market place for such personnel and any difficulties in attracting and retaining such high quality personnel could impact on the Group's ability to deliver the financial forecasts.	The Group invests heavily in working to attract high quality personnel with organic growth being a key focus for the Board. The Group also offers competitive remuneration packages in its current locations, flexible working conditions and a no targets team culture allowing individuals to maximise their job satisfaction and work/life balance. The Group enjoys low staff turnover and the Board strives to continuously engage with its employees to ensure that employees understand the drivers of the business. The Board supported by the leadership team seeks to ensure that there is continuous reinforcement of the transparent and collaborative culture despite the changing working environment as a result of COVID-19 with regular all staff, office, team and one to one engagement. Employee contracts include restrictive covenant provisions to protect the business where possible.
	Succession planning and dependence on key personnel The Group's future success and strategy is dependent on the performance and retention of the Executive Directors and senior management team. The loss of a key individual or the inability to expand the senior management team as the business grows could negatively impact the reputational and financial performance of the Group.	During the year the Board has continued to work hard to expand and strengthen the management team of the Group to ensure the management structure in place is sufficient to support the future growth of the business. In particular in the last year the Client Services team has grown with the introduction of three new Directors with each Client Services Director being responsible for the day to day management of two to three offices and integration of acquisitions within those offices that he or she oversees. The operations team has been strengthened considerably in order to seek to ensure that the execution and integration of acquisitions and the ongoing focus on organic growth and strengthening of the existing business can be maintained with a wider team taking responsibility for these activities.

Principal Risks and Uncertainties continued

Principal risk	Description	Mitigation
Acquisition risk	A key part of the Group's strategy is to expand the business through the acquisition of culturally aligned, earnings enhancing acquisitions. Detailed financial and legal due diligence is carried out however there is the risk that there are unforeseen issues that adversely affect the reputation or forecast financial performance of the Group. If newly acquired businesses are not properly aligned and integrated this could have negative impacts on the rest of the business and cause reputational damage. There is also the financial risk that the acquired business does not perform as expected.	The Group has an experienced in house acquisitions team that undertakes a robust due diligence process with expert external advice being sought where necessary. Warranties and disclosures are obtained from the sellers as appropriate. The Board recognises that cultural integration is critical to the success of every acquisition. During the year the acquisition and integration teams have continued to be strengthened and the full integration plan and acquisition handbook utilised by the Group has been under continuous review and refinement. The continual review of the acquisition and integration process ensures that all acquisitions are fully integrated onto the Group's operating platform as soon as possible and learnings from each integration are captured to continuously improve the integration process for all stakeholders. Cultural integration of the new colleagues is key at all stages of the acquisition and integration process and continues to be a focus with continuous reinforcement by the leadership team and the existing employees of the business.
Macro and Micro Economic environment	Current uncertainty in the market as a result of the global COVID-19 pandemic could result in a general economic downturn which may have a negative impact on the financial performance of the Group.	The Board believes its exposure to both macro and micro environmental factors is limited due to there being no reliance on any one practice area, client or professional. The Group's continuous focus on cash collection results in it having good headroom to counteract the impact of the lock down measures taken by the government throughout the course of the last financial year. As announced on 26 March 2020, the Group moved quickly to put in place a number of prudent cost saving and efficiency measures in relation to the uncertainty created by COVID-19. Employee salaries were then reinstated with effect from November 2020 once the immediate effects of COVID-19 on the business had stabilised demonstrating the benefit of a corporate structure in which the senior leadership were able to act with agility whilst supporting its lawyers to remain focused on delivering value to clients. Management reviewed budgets monthly and investigated material variances and this together with regular focused conversations with clients, suppliers and other key stakeholders helped inform when those cost saving measures could be removed.
	There are a large number of potential competitors within the legal and professional services market competing for the Group's professionals and clients, any loss of which could impact the financial performance of the Group.	The Group expects that the number of law firms may decrease due to the uncertainty within the market, an ever increasing regulatory burden and the traditional partnership structure operated by many law firms resulting in such firms having limited cash resources to counteract any decline in revenue as a result of the lock down measures taken by the government over the course of the last twelve months. The Board believes that this positions the Group well to attract talent from potential competitors. The Board also believes by maintaining the high quality work and strong client base, lawyers will continue to be attracted to Knights business.

Principal risk	Description	Mitigation
Reputation and Brand risk	Knights' brand, and the reputation of the Group and its professionals are driving factors behind the success of the Group. Anything that damages the Group's brand or reputation could negatively impact the future success of the business.	Management have in place detailed processes to ensure that all work is undertaken in accordance with the Code of Conduct and Professional Ethics. Regular internal audits are undertaken to identify areas of non-compliance and the Group has employment policies and procedures in place to deal with such issues. The employment contracts for all employees also contain appropriate provisions in regard to the standards expected and preservation of confidential information.
	Damage to the Knights brand could have a detrimental impact reputationally which ultimately could have financial implications for the Group.	An open, candid and non-hierarchical culture is nurtured whereby all colleagues are expected to behave in accordance with the internal processes and standards in place. The Group takes appropriate steps to protect its intellectual property rights. Corporate profile is a key part of the Board's strategy and external public relations advisers are engaged to assist where necessary.
Information systems and data security	The Group is heavily reliant on its information technology systems for all day to day processes. A major IT system failure or a malicious attack, data breach or virus could impact the ability of the Group to operate having both reputational and financial implications.	The Group's systems have a highly resilient design with minimal single points of failure. They are supported by appropriately qualified and experienced individuals and third parties. External expert advice and support is sought when necessary. Critical systems fail and recovery is regularly tested and no issues have been identified. The Board liaises regularly with their key suppliers to continue to develop and improve the operating systems utilised by the Group. Knights' Information Security Awareness training helps colleagues to identify and prevent fraud\misuse of information and this training is regularly updated to ensure that where certain risks are increased as a result of environmental factors (such as cybercrime in light of COVID-19), the business and colleagues are aware of any heightened risk. Beyond training Knights' candid culture and team ethos delivers a supportive high communication environment which ensures colleagues can ask questions and be guided as required.

This strategic report and the information referred to herein was approved on behalf of the Board on 14 July 2021.



Kate Lewis
Chief Financial Officer

Corporate Governance

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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 leading 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.

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.

He joined Knights as COO in January 2019, overseeing the scale-up of the operating backbone and increased use of technology to improve service quality and operating efficiency.

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. Bal is a Director on the Board of most of these companies.

Gillian Davies
Senior Independent Non-Executive Director

Gillian is a chartered accountant and spent 11 years as Group Finance Director of FTSE listed 4imprint Group plc, during which time the group was extensively restructured and delivered significant growth. Most recently, Gillian was CFO of AIM listed, Harwood Wealth Management Group until its sale to Private Equity. Gillian is also an NED and Chair of the Audit Committee at Ten Lifestyle Group plc.

Jane Pateman
Non-Executive Director

Jane is Group HR Director at Biffa plc. She has a strong track record in driving business benefits through the development and delivery of human capital strategies. During her 10 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 in recent years.

Chairman's Introduction

The Board recognises the importance of high standards of corporate governance as the basis for promoting long-term growth for the benefit of all of the Group's stakeholders.

As Chairman, I am responsible for leading the Board to ensure that it has in place the strategy, people, structure and culture to deliver value to its stakeholders, and for ensuring that the governance arrangements that the Group has in place are proportionate and appropriate for size and the constitution of the Board and the complexity of the business. In accordance with the AIM rules the Group has elected 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 its governance framework.

The underlying principle of the QCA Code is to "ensure the Company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term".

As a Board, we are committed to providing the leadership required to ensure that the culture that is so integral to the success of the business is embedded within the business and work hard to engage with employees and other key stakeholders to ensure that this healthy corporate culture continues to be delivered through open and honest dialogue and we are delighted to set out below how we comply with the QCA Code.

	Governance principle	Compliant	Explanation	Further reading
1	Establish a strategy and business model which promotes long-term value for shareholders	✓	Our strategy is to be the leading legal and professional services business outside London and we aim to achieve this through: - attracting new talent (be that individuals or teams) wishing to be part of a progressive legal and professional services business; - roll-out of new offices into target regional locations; - outsourcing from national and international firms; - increasing productivity through better use of IT; - enhanced cross-selling plus the addition of new service lines within the existing business; and - acquisitive growth by continuing to acquire legal teams or firms offering geographic expansion into attractive new regional markets for Knights, and to further expand offerings in existing regional locations.	See pages 14-15
2	Seek to understand and meet shareholder needs and expectations	✓	The CEO and CFO communicate regularly with shareholders, investors and analysts, including at our half-year and full year results roadshows. The full Board is available at the Annual General Meeting ('AGM') to communicate with shareholders.	www. knightsplc. com/investors/ corporate-governance
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	✓	Aside from our shareholders, our clients, employees, suppliers, and regulators are our most important stakeholders. We engage with these communities via regular communications in our day-to-day activities, and via formal feedback requests. We also understand the importance that we can play in giving back to our communities and our ESG report refers to the role that we play in this regard.	See pages 22-30
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	✓	The Board considers risk to the business at each Board meeting and via its standing committees; The Audit Committee, Remuneration Committee and Disclosure Committee. Both the Board and senior managers are responsible for reviewing and evaluating risk and the Executive Directors meet at least monthly to review ongoing trading performance, discuss budgets, forecasts and new risks identified.	See pages 44-47
5	Maintain the Board as a well-functioning, balanced team led by the Chair	✓	The Board has three established Committees for Audit, Remuneration and Disclosure. The composition and experience of the Board is reviewed regularly by the Board, with external advice being obtained where required. During the year Stephen Dolton resigned as a Non-Executive Director, chair of the audit committee and senior independent Director and was replaced by Gillian Davies in each of those roles. External advice was obtained by the Board to ensure that Stephen's replacement had the required level of skills and experience to ensure that the Board remains well balanced. Given the size and composition of the Board, the Board does not consider that a Nominations Committee is required.	See pages 52-53
6	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	✓	The Board is satisfied that its current composition includes an appropriate balance of skills, experience and capabilities, including experience of recruitment, people management, technology and funding requirements and risk management.	See page 49
7	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	✓	The Board regularly considers the effectiveness and relevance of its contributions, any learning and development needs and the level of scrutiny of the Senior Management Team but at this stage has considered that internal review is sufficient given the size of the Board. This will be kept under continuous review.	See pages 52-53
8	Promote a corporate culture that is based on ethical values and behaviours	✓	Being a regulated law firm, the Group is focused on promoting a strong ethical corporate culture. The Board implements a policy of equal opportunities in the recruitment and engagement of employees during the course of their employment and recognises the importance of honest and open feedback at all times to facilitate the growth of individuals and teams within the business. The Group prides itself on its culture, and maintaining that culture through consistent engagement with its staff is integral to the Group's success. Throughout the pandemic this has been more important than ever and regular meetings and webinars have been conducted at every level to ensure that this culture has been continually fostered despite remote working practices being in place throughout the year.	See pages 22-28 and 32-33
9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	✓	The Board is responsible for the Group's overall strategic direction and management and meets regularly to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals. The Group has a set of Reserved Matters for approval by the Board has been established and is regularly reviewed given the growth of the business.	See pages 52-53 and www.knightsplc. com/investors/ corporate-governance
10	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	✓	The Group is committed to maintaining good communication and having constructive dialogue with its shareholders. Regular institutional shareholder meetings and PCFM days are held with the Chief Executive Officer and Chief Financial Officer to discuss Company performance, particularly following publication of the Group's interim and full year results. In addition a range of corporate information (including copies of presentations and announcements, and an overview of activities of the Group) are available on the Group's website.	https://www. knightsplc.com/ investors

Corporate Governance Statement

Board Composition

The Board comprises six Directors, three of whom are Executive Directors and three of whom are Non-Executive Directors, reflecting a blend of different experiences and backgrounds further details of which are set out on page 49. 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.

Whilst the Chairman has a considerable length of service and previous interest in the Group, it has been determined that in terms of interest, perspective and judgement he remains independent and is supported by the two additional independent Non-Executive Directors.

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 is reviewed annually to ensure that it remains current in light of changes to legislation, the size and growth of the Group and changes 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 fulfill 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 Directors attendance at scheduled monthly Board and Committee meetings in the financial year 2020/2021.

Name	Board*	Remuneration	Audit
Balbinder Johal	13/13	-	-
David Beech	12/13	-	-
Jane Pateman	13/13	5/5	3/3
Kate Lewis	13/13	-	-
Richard King	13/13	-	-
Stephen Dolton**	10/11	4/4	1/1
Gillian Davies	2/2	1/1	1/1

* During the year additional meetings were held principally to approve the terms of the acquisitions undertaken within the period.

** Stephen Dolton resigned as a Director on 17 March 2021 and Gillian Davies was appointed on the same date.

In addition to the scheduled meetings the Board holds periodic strategy days to review the strategic priorities and growth opportunities for the business. The next strategy day is expected to be scheduled in September.

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, to ask questions regarding ongoing governance requirements 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 Gillian Davies chairing the Audit Committee and Jane Pateman chairing the Remuneration Committee. Each Committee has unrestricted access to employees of the Group or any 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 certain PDMR's within the business and benchmarking executive pay, and the Audit Committee meeting with RSM UK Audit LLP, the Group's auditors, both with and without the presence of Executive Directors and members of the finance team.

The Group has elected not to constitute a dedicated nomination committee, instead retaining such decision-making with the Board as a whole given the size and nature of the Board composition. The Board has used external advisors to introduce any other individuals with skills that the Board believe may be required in delivering its overall strategy and this was how Gillian Davies was identified to act as Non-Executive Director in March 2021.

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; and
- 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; and
- monitoring the internal controls of the business.

Each of the Committees meets regularly and at least twice a year and the Chief Financial Officer also attends meetings of the Audit Committee by invitation to discuss any matters of relevance. Details of the reports of the Remuneration Committee and Audit Committee can be found on pages 54 and 58 respectively of this Report.

The Board has also constituted a disclosure committee (the Disclosure Committee) to enforce the Knights Group's 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 considers the evaluation of its performance to be an integral part of corporate governance to ensure it has the necessary skills, experience and abilities to fulfil its responsibilities. The internal evaluation process undertaken seeks to identify and address opportunities for improving the performance of the Board and to solicit honest, genuine and constructive feedback. The Board considers the evaluation process is best carried out internally at this stage of the Company's development however this decision shall be kept under review.

In undertaking its internal review process in particular the following matters are reviewed at least annually or more frequently should the need arise:

- the Board's composition in terms of skills, experience and balance;
- the independence of the Non-Executive Directors;
- Board operational effectiveness and decision making;
- conduct of meetings and effective sharing of information and communication amongst the members of the Board;
- engagement with shareholders and other stakeholders;
- Director contribution; and
- the Board's strategy and its implementation.

The Chairman is responsible for ensuring the internal review process is appropriate for the business' needs, and deals with matters raised throughout the review process to ensure that constructive feedback is provided and if required external support can be made available in respect of any areas that may require improvement.

Following the review undertaken in 2020/2021 the following steps were taken in response the feedback provided at the review:

- FIT Remuneration Consultants provided training to the Board to ensure all Board members have a clear understanding of market expectations in respect of the role, scope and authority of the Remuneration Committee; and
- more regular strategic meetings were held throughout the year in order to consider the opportunities and risks to the business in light of the changing economic climate resulting from the impact of COVID-19 in the legal sector.

The Board carries a breadth of experience in sectors outside of the legal services market with strengths aligned with enhancing Knights' culture. Following the evaluation undertaken during the financial year 2020/2021, the Board is satisfied that it has a good balance of experience and skills allowing for both collaborative working and robust challenge.

Internal controls and risk management

Internal controls

The Board is responsible for maintaining and reviewing the effectiveness of the Group's risk management activities. These activities are designed to identify, assess, respond to, report on and monitor the risks that might threaten our ability to achieve the Group's objectives within its risk appetite.

The Group has implemented policies on internal control and corporate governance. Some of these policies 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 and emerging risks to the business are presented to the Board at regular intervals;
- budget proposals are submitted to the Board no later than one month before the start of each financial year albeit this policy has been adapted during the COVID-19 pandemic given the evolving impact of the pandemic on the economy and in this financial year those budgets have had to be updated after the conclusion of the financial year to include the acquisition of Keebles LLP which completed on 11 June 2021;
- accounting policies and practices suitable for the Group's activities are followed in preparing the financial statements; and
- the Group is provided with general accounting, administrative, secretarial services and external advice and audit as may reasonably be required.

The Group continues to review its system of internal control to ensure compliance with best practice, whilst also having regard to its size and the resources available. Details of the Group's principal risks and how these are addressed can be found on page 44 of this Report.

As might be expected in a business such as Knights, a key control in the business is the day to day supervision of the Executive Directors supported by the senior management team who maintain responsibility for key areas of the operations. The adequacy of the systems for internal control is also reviewed by the Audit Committee on an annual basis and compliance issues are discussed at each Board meeting in order to ensure that any risks arising in a changing and evolving environment can be mitigated and/or eliminated.

Knights has an established business-continuity plan which has regular input from Legal, Compliance, IT, HR, Finance, Facilities, Public Relations and Client Services. This has ensured that the business has been able to quickly implement steps to ensure that in light of the ongoing pandemic all of our stakeholders needs have been considered and the ability to continue to support our clients has been maintained without disruption.

Relations with stakeholders

The Board is aware that the long term success of the Group is reliant upon its employees, clients, shareholders, suppliers, communities and regulators. As such the Group is committed to building a sustainable business that enables all its stakeholders to thrive: minimising the Group's impact on the environment, looking after employees and communities and operating ethically with the highest levels of governance to ensure that the Group's continued growth in accordance with its strategy reflects its stakeholders needs and expectations as well as those of the Group.

In order to achieve these aims the Group's senior management teams maintain regular communications with colleagues and encourage them to share feedback and to allow the candid flexible culture to thrive. The level of communication with employees has only increased during the COVID-19 situation with senior management hosting regular calls with team leaders, the CEO holding several 'all employees' webinars and encouragement of regular communication within teams within the business.

The Group also 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 in the week commencing 15 February 2021 the Group's net promoter score was +75 out of +100 which is considered above average amongst its peer group. The Group endeavors to ensure that clients are met with regularly to canvas their opinion on the service levels received and to allow them to 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 remaining in place for 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 continues to work hand in hand with its regulator, the Solicitors Regulation Authority (SRA) and its complaints handling body, the Legal Ombudsman, in ensuring that it abides by its professional and regulatory duties and obligations in an open and transparent manner.

The Board is proud of the progress it has made in enhancing the sustainability of its operations. Jane Pateman is the Director on the Board with overall responsibility for Environmental, Social and Governance strategy. Further details of the steps that Knights has taken to ensure it can uphold these principles are detailed on page 23 of this Report.

The Executive Directors meet with the institutional shareholders both on an adhoc 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 Gillian Davies as Senior Independent 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 21st September 2021 and the Notice of Annual General Meeting which includes the associated resolutions accompanying this Annual Report.

Remuneration Committee Report

Dear Shareholder,

I am pleased to present the Directors' Remuneration Report for the year ended 30 April 2021.

The Remuneration Committee comprises me as Chair of the Committee and Gillian Davies who is the other current member of the Committee. We are both independent Non-Executive Directors. Steve Dolton was also a member of the Remuneration Committee during the year until he stepped down from the Board in March 2021.

Whilst COVID-19 has resulted in a significant amount of economic uncertainty, both nationally and internationally, our results demonstrate the fundamental resilience of our businesses and our disciplined and effective response. We are proud of the hard work and commitment of our colleagues during this unprecedented period, helping to ensure that we continue to provide our clients with outstanding service and support. Our initial response to the pandemic was one of prudence, suspending dividend payments and temporarily reducing all Board members' salaries by 30% and reductions for all staff whose salaries were £30,000 or more by 10% (or to £30,000 where the reduction would have taken them below £30,000) with effect from 1 April 2020. Salaries of all staff and all Board members were reinstated on 1 November 2020 and since then the Remuneration Committee has not deemed it appropriate to take any further measures. The business has completed a full pay review process for all staff ahead of the coming financial year.

Jane Pateman
Chair of the Remuneration 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. During the year this included the grant of restricted share awards and long term incentive plans to employees within the Group.

The Remuneration Committee meets on a planned basis and met 5 times during the year.

In exercising their role, the Remuneration Committee has 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 LLP (FIT) provided the Committee with external remuneration advice, including providing a report to benchmark remuneration packages and 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 6, the Group continued to grow both organically and through targeted acquisitions over the year. The Group performed well with a strong financial performance in FY21 H2 as the Group's momentum recovered after the initial impact of COVID-19.

As disclosed last year an annual bonus arrangement is in place for Richard King with a maximum opportunity of 35% of salary and an annual bonus arrangement was also introduced for Kate Lewis for the 30 April 2021 financial year with a maximum opportunity of 35% of salary.

The intention was for the bonus arrangements to be based on achievement of financial and non-financial measures set at the beginning of the financial year aligned to the key annual goals supporting the Group's strategy.

However, due to the uncertainty around what the full impact of the pandemic on performance was going to be, it was agreed to assess final performance outcomes against a robust performance in the round framework for both the CFO and COO following the year end. The Group achieved analyst consensus for revenue and underlying PBT, executed and integrated three acquisitions whilst operating remotely during the COVID-19 pandemic. Efficiency improvements were also achieved within the business in respect of the operating systems utilised by the Group.

In light of the staff pay reduction during the year and the suspension of dividends, the Committee felt that although the achievements were strong in the circumstances, it would be appropriate to moderate the bonus outcome. Therefore, bonus awards of 20% of salary for Kate Lewis and 17.5% of salary for Richard King have been made.

Long-term incentives (Performance Share Awards) were granted to Executive Directors in July 2020 and are intended to be awarded annually to the Executive Directors. Awards are subject to a 3 year performance period with vesting dependent on underlying EPS performance. The vesting of the July 2020 award is dependent on underlying EPS performance in the financial year ending 30 April 2023, with 25% vesting for underlying EPS of 24.19p, 60% vesting for EPS of 25.46p and increasing to 100% vesting for EPS of 26.73p. A sliding scale operates between these points. In addition, Performance Share Awards were made to key members of the leadership team 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 six 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.

An independent benchmarking exercise was undertaken during the year for the roles of the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer against a group of similar sized AIM companies. This review confirmed to the Remuneration Committee that:

- the salary levels are below the lower quartile position for all Executive Directors;
- the majority of companies offer an annual bonus arrangement for all Executive Directors;
- the median level of maximum bonus opportunity is 100% of salary;
- the majority of the Executive Directors in the comparator companies participate in long-term incentive arrangements;
- the median face value of LTIP awards is in the range of 70%-75% of salary, in line with the 75% of salary level Performance Share Awards awarded to the CFO and COO in July 2020; and
- the low salaries combined with the no or low incentive levels of the Executive Directors, results in all the positions being below the lower quartile position on an on-target total remuneration position.

The Committee considers that alignment between Group strategy and the remuneration of its Executive Directors is critical and as such there is a need to provide market competitive remuneration, incentivise Executive Directors to achieve the annual business plan and the longer-term strategic objectives of the Group and to ensure that Executive Directors' interests are aligned with those of shareholders. The Committee has therefore made a number of changes to the remuneration packages of the Executive Directors as detailed further below.

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 shown below. As noted above the salaries of the Executive Directors were temporarily reduced by 30% with effect from 1 April 2020 and were reinstated on 1 November 2020.

David Beech: Whilst David's salary for the financial year ended 30 April 2021 was £250,000, it is recognised that a market-standard salary for an equivalent CEO of an AIM listed company with a similar market capital of the Group is £325,000 ('CEO Reference Salary') and it has been agreed that this salary would become payable when the Remuneration Committee agrees that it had become appropriate for the Group to do so.

David's salary was increased to £300,000 with effect from 1 May 2021 in order to bring his salary closer to the CEO Reference Salary, with a view to increasing David's salary so that it is in line with the CEO Reference Salary by 1 May 2022 if the Remuneration Committee agrees that it is appropriate for the Group to do so. Whilst the Committee recognised that this was a significant increase in percentage terms this was largely an historic issue that required addressing and was determined to be appropriate considering the individual's strong performance and leadership of the business. The Committee also acknowledges that the CEO does not receive awards under the Company's share plans due to his shareholding.

Kate Lewis: Whilst Kate's salary for the financial year ended 30 April 2021 was £175,000, it is recognised that a market-standard salary for an equivalent CFO of an AIM listed company with a similar market capital of the Group is £240,000 ('CFO Reference Salary') and that this salary would become payable when the Remuneration Committee agreed that it had become appropriate for the Group to do so.

Kate's salary was increased to £220,000 with effect from 1 May 2021 in order to bring her salary closer to the CFO Reference Salary and with a view to increasing Kate's salary so that it is in line with the CFO Reference Salary by 1 May 2022 if the Remuneration Committee agrees that it is appropriate for the Group to do so. Whilst the Committee recognised that this was a significant increase in percentage terms this was determined to be appropriate considering continuing strong performance and contribution.

Richard King: Whilst Richard's salary for the financial year ended 30 April 2021 was £200,000 it is recognised that a market-standard salary for an equivalent COO of an AIM listed company with a similar market capital of the Group is £240,000 ('COO Reference Salary') and that this salary would become payable when the Remuneration Committee agreed that it had become appropriate for the Group to do so.

Richard's salary was increased to £220,000 with effect from 1 May 2021 in order to bring his salary closer to the COO Reference Salary with a view to increasing Richard's salary so that it is in line with the CFO Reference Salary by 1 May 2022 if the Remuneration Committee agrees that it is appropriate for the Group to do so. Whilst the Committee recognised that this was a significant increase in percentage terms this was determined to be appropriate considering both strong performance and contribution.

Remuneration Committee Report continued

Pension and benefits

Ancillary benefits include the reimbursement of all reasonable and authorised out of pocket expenses, access to healthcare benefits, a wellbeing support platform and 2 x 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

A plan was operated for Richard King and Kate Lewis for the 30 April 2021 financial year with a maximum opportunity of 35% of salary with performance criteria based on profit-based and strategic targets as set by the Remuneration Committee. The Remuneration Committee intends to agree a plan for each of the Executive Directors for the 30 April 2022 financial year with a maximum opportunity of 75% of salary with performance criteria based on financial and strategic targets aligned to the business strategy as set by the Remuneration Committee. The bonus structure will consist of a mix of financial and strategic targets, with a 70% weighting for financial performance and 30% for strategic targets.

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.

The intention is to grant Performance Share Awards to Richard King and Kate Lewis in July 2021 over shares with a value equal to 100% of salary. The awards will have a 3-year performance period with vesting dependent on underlying EPS performance.

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 annual fee payable to the Chairman was unchanged throughout the year at £60,000.

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

The current fee payable for services as a Non-Executive Director was unchanged throughout the year at £40,000 with an additional £10,000 payable to the senior independent Non-Executive Director. Gillian Davies was appointed as senior independent Non-Executive Director on 17 March 2021.

As noted above these fees were temporarily reduced by 30% with effect from 1 April 2020 and reinstated on 1 November 2020.

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.

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
14 July 2021

Directors' emoluments

	Fees/ basic salary £'000	Benefits £'000	Bonus £'000	Pension £'000	2021 Total £'000	2020 Total £'000
Executive Directors						
David Beech	212	-	-	-	**212**	231
Kate Lewis	149	-	35	5	**189**	145
Richard King[1]	170	-	35	5	**210**	197
Non-Executive Directors						
Balbinder Johal	51	-	-	-	**51**	51
Steve Dolton[2]	37	-	-	-	**37**	45
Jane Pateman[3]	34	-	-	-	**34**	39
Gillian Davies[4]	6	-			**6**	-
Aggregate	**659**	**-**	**70**	**10**	**739**	708

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 and resigned on 17 March 2021.

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

4 Gillian Davies was appointed a Non-Executive Director of the Group on 17 March 2021.

Long-term incentives

	Type of award	Date of grant	Number of shares	Exercise price per share	Fair value at grant	Performance conditions	Vesting date
Kate Lewis	Restricted Stock Award	29 June 2018	241,379	£0.002	£350,000[1]	N/A	June 2021
Kate Lewis	Performance Share Award	24 July 2020	30,667	£0.002	£131,000[4]	EPS5	July 2023
Richard King	Performance Share Award	29 March 2019	63,352	£0.002	£183,750[2]	EPS3	July 2022
Richard King	Performance Share Award	24 July 2020	35,115	£0.002	£150,000[4]	EPS5	July 2023

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 underlying 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.

4 Based on 3-day average share price of £4.2717.

5 3-year performance period with vesting dependent on underlying EPS performance in financial year 30 April 2023 with 25% vesting for EPS of 24.19p and 60% vesting for EPS of 25.46p increasing to 100% vesting for EPS of 26.73p. A sliding scale operates between these points.

Audit Committee report

Dear Shareholder,

I am pleased to present the Audit Committee report for the year ended 30 April 2021.

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 RSM UK Audit LLP (RSM) and overseeing the relationship with them. In addition the Committee has considered the impact of COVID-19 particularly around Going Concern.

Gillian Davies
Chair of the Audit Committee

Members of the Audit Committee and attendance

The Committee consists of two independent Non-Executive Directors: myself (as Chair) and Jane Pateman. Kate Lewis, the Chief Financial Officer and other Executive Directors may attend the Committee meetings by invitation.

During the year the previous Chair of the Audit Committee, Steve Dolton, resigned as a Non-Executive and Audit Committee Chair on 17 March 2021 to pursue other interests. I was appointed as a Non-Executive Director and Audit Committee chair on 17 March 2021. The Committee met three times during the period and attendance of the members is shown on page 52 of the Corporate Governance Report. The Committee has also held discussions with 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.

Duties

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

1 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 judgements made in preparing the results, ensuring sufficient attention was given to matters where significant estimation was involved. This includes revenue recognition, accounting for acquisitions and the use of alternative performance measures which are used to enhance shareholders understanding of the Group's financial performance.

In consideration of the significant accounting judgements used, the Committee reviewed the recommendations of the Chief Financial Officer and received reports from RSM on their findings.

These judgements are as follows:

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 value that will eventually be recovered on 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 matters, where the likelihood of success is less than highly probable, the value recognised in contract assets is further reduced to reflect this uncertainty. The Committee considers that 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 made four acquisitions. Accounting for these acquisitions involves significant judgement to determine the allocation of purchase price, the treatment of deferred consideration, assessment of the requirement for any fair value adjustments, identification and valuation of the intangible assets arising, and estimation of the useful lives of these assets. Having reviewed management's approach and the resulting accounting treatment, the Committee is satisfied that the approach adopted is reasonable and fairly represents the underlying transactions.

Goodwill and intangible assets impairment
At the year end there is £80m recognised in the financial statements relating to goodwill and intangible assets from both current and prior year acquisitions. On an annual basis management need to satisfy themselves that the carrying value of the goodwill is supportable by future expected returns from the Group via a detailed impairment review at the period end and that there are no indications that the carrying value of the intangible assets has been impaired. Having reviewed management's impairment reviews and conclusions, the Committee is satisfied that the carrying value is supportable and the assets do not need to be impaired.

Use of alternative performance measures
The Board uses a number of alternative performance measures to assess business performance. A key driver for the Board is management of its net debt position. A key focus of the Board is the underlying profitability of the business therefore the Board uses measures based on underlying profitability of the Group, excluding one off and non underlying items to monitor the growth in underlying profitability.

The Audit Committee is satisfied that this is a reasonable measure to use to review profitability of the underlying business and all non underlying costs are appropriately classified as non underying in the accounts.

2 Risk management and internal controls

As described on page 30 of the Strategic Report and page 53 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.

3 Changes to accounting policies

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

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

The Committee monitors the provision of non-audit services by RSM to ensure this has no impact on their independence.

During the year RSM provided prohibited services under the FRC's Ethical Standards guidance relating to the provision of an API link for making tax digital for one month. Once identified provision of this service ceased immediately. Fees in relation to this service were £175. The Committee is satisfied that the provision of this service has no impact on the independence of the audit team.

5 Overseeing the relationship with RSM

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.

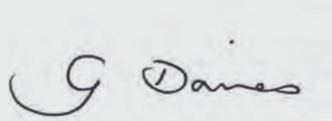
The plan sets out the scope of the audit, areas of perceived significant risk where work will be focused, the audit timetable and any proposed remuneration. This plan is reviewed and agreed by the Committee in advance of the detailed audit work taking place.

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

6 Application of IFRSs, and new and forthcoming standards

There are no significant IFRS's yet to be adopted that the Committee expects to be relevant or have a significant impact on the financial statements.



Gillian Davies
Chair of the Audit Committee
14 July 2021

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 66-113. 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 Board has decided that it will not be proposing a final dividend in respect of the year ended 30 April 2021. No interim dividend was paid during the year. The Board intends to resume paying dividends in respect of the year ended 30 April 2022 in accordance with the previous dividend policy.

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 16-17.

Post balance sheet events

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

Directors and their Interest in the shares of the parent company

The following Directors have held office since 1 May 2020.

Name	Number of shares	%
DA Beech	16,800,000	20.34
KL Lewis	2,820	-
RA King	105,460	0.13
BS Johal	210,000	0.25
S Dolton (resigned 17 March 2021)	-	-
J Pateman	10,000	0.01
G Davies (appointed 17 March 2021)	-	-

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 30 April 2021 were as detailed below:

Name	Number of shares	%
David Beech	16,800,000	20.34
Octopus Investments	11,067,812	13.4
Jupiter Asset Management	8,098,366	9.80
Canaccord Genuity Wealth Management (inst)	4,475,000	5.42
Columbia Threadneedle Investments	3,970,155	4.81
Aegon Asset Management UK	3,475,535	4.21
Invesco	2,581,175	3.12

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.

SECR

Under S414C(11) the Group has included the SECR report in the Strategic report on page 29 as it is considered to be of strategic importance.

Disabled persons

The Group operates an equal opportunities employment policy.

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 engagement

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. During FY21 the well being of employees was forefront in the Board's decision to work from home during the COVID-19 pandemic. Whilst working from home the Board have recognised the importance of regular communication with employees as described in the Section 172(1) statement on pages 30-31. Due to the pandemic, the Group did not hold its normal annual conference. However the strategy of the Group was discussed via regular online webinars with all staff.

Further information on how the Group liaises with employees and includes them in decision-making where relevant and encourages participation in share schemes to enable them to share in the success of the Group is included in the ESG report on page 26.

Engaging with stakeholders

The Directors have considered who the key stakeholders in the business are and documented how they engage with each of these groups, noting any key decisions made during the year. Details of this are included within the S172 report on pages 30-31.

Going concern

The Group and Company financial statements have 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 is strongly cash generative at the operating level and as at the end of the financial year had headroom of almost £19m within its current debt facilities. The Group's forecasts show that the Group has sufficient resources for both current and anticipated cash requirements. The Group remains profitable and operates within its current available banking facilities with no forecast breach of covenants for the foreseeable future.

Auditor

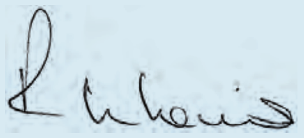
Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- 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 14 July 2021 and signed on its behalf by:



Kate Lewis
Chief Financial Officer
14 July 2021

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, 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 have elected under company law to prepare group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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) and the AIM Rules of the London Stock Exchange.

The group financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position and 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. for the group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;

d. for the company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the company financial statements;

e. 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 requirements of 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.

Financial Statements

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Independent Auditor's Report

to the Members of Knights Group Holdings plc

Opinion

We have audited the financial statements of Knights Group Holdings plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 April 2021 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity, the consolidated and company statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included evaluating management's method of assessment, reviewing the forecasts prepared by the Directors, performing sensitivity analysis, comparing the prior year forecast to actual outturn, confirming the terms of the banking facilities available to the group, checking the forecast covenant compliance and headroom available to the group, and considering the adequacy of the disclosures made by the Directors in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Summary of our audit approach

Key audit matters	**Group** • Valuation and recoverability of amounts recoverable on contracts and impact on revenue recognition • Acquisition accounting, timing of obtaining control and valuation of intangibles assets acquired **Parent Company** • None identified
Materiality	**Group** • Overall materiality: £771,000 (2020: £539,000) • Performance materiality: £578,000 (2020: £404,000) **Parent Company** • Overall materiality: £514,000 (2020: £365,000) • Performance materiality: £385,000 (2020: £273,000)
Scope	Our audit procedures covered 99% of revenue, 99% of net assets and 98% of underlying EBITDA.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group [and parent company] financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition and contract assets

Key audit matter description	The Group's accounting policy in respect of revenue recognition is set out in note 2.5. Note 4 sets out the critical judgements and estimates applied by the Directors in relation to the valuation of unbilled contingent fee agreements and of amounts recoverable on contracts, which may have a material effect on the amount of revenue recognised in the period, and note 5 to the financial statements gives detail on revenue. There is a risk that revenue could be materially misstated due to recognising revenue in the wrong accounting period, or in the wrong amount. Revenue is materially impacted by changes in the contract assets balance (amounts recoverable on contracts) which is subject to management judgement about recovery rates and provisions. The Group has recognised revenue of £103.2 million in respect of fees billed and accrued in the year, which consists of a large number of relatively low value transactions. Due to the large volume of transactions in the year there is a risk that not all of the matters in the year have been appropriately billed. The Group's contract assets balance at the year end is £28.0 million (see note 22). The contract assets are valued on a line by line (case by case) basis using an estimated recovery rate at the period end. The process of valuing contract assets and, in particular, estimating recovery rates, is judgemental and therefore considered to be a key audit matter.
How the matter was addressed in the audit	**Our response to the key audit matter included:** • assessing management's revenue recognition policy for fixed fee arrangements, unconditional fee-for-service arrangements, and variable or contingent fee arrangements for compliance with IFRS 15 – Revenue from contracts with customers • assessing the reasonableness of the revenue figure in relation to fee-earner numbers and salary costs in comparison to prior financial years • performing data analytics to test the revenue recognised by ensuring that the revenue transaction cycle was completed through to cash receipt or inclusion in trade receivables • comparing the year end work in progress valuation and recovery rates to the prior year for each office, (excluding those acquired in the year) • comparing the expected recovery rate in the prior year valuation of work in progress to the actual amounts recovered for a sample of fee earners during the year • reviewing the work in progress balances at various dates during the year for a sample of fee earners and checking subsequent recovery rates to confirm their period end valuations • period-end cut off testing to ensure that contract assets and revenue had been recognised in the correct accounting period • reviewing the utilisation rates during the year for staff on an office by office basis and enquiring where these appeared to be unusually low, in order to test completeness of the time being recorded to matters • agreeing the recoverability of the balance of unbilled revenue to post year end billing and cash receipts and, where billing has not yet occurred, challenging fee-earners about the expected recovery, confirming unbilled revenue is recorded in the correct period and at the correct amount and is supported by time costs incurred.
Key observations	Based on the work performed, we concluded that revenue is being appropriately recognised in accordance with IFRS 15, and that the estimates used in the valuation of amounts recoverable on contracts are reasonable.

Independent Auditor's Report continued

to the Members of Knights Group Holdings plc

Acquisition accounting and valuation of intangibles assets acquired

Key audit matter description	During the year the group made four acquisitions involving aggregate consideration of £14.7 million, including deferred consideration of £5.1 million as set out in note 20. There are significant intangible assets arising as a result of each acquisition, including goodwill of £8.1 million and customer relationships of £3.7 million (note 19). The determination and allocation of the purchase price, the identification and valuation of the intangible assets arising, and the useful lives of these assets, particularly the customer relationships, involve the exercise of a significant degree of management judgement and is therefore considered to be a key audit matter. Additionally, the date on which control is obtained in each acquisition is a key judgement in assessing the acquisition date (see note 4). The details of acquisitions made in the year are set out in note 20. Notes 2.4 (business combinations), 2.7 (goodwill) and 2.8 (intangible assets other than goodwill) set out the accounting policies in respect of business combinations and note 19 to the financial statements summarised the intangible assets added through acquisitions in the year.
How the matter was addressed in the audit	**Our response to the key audit matter included:** • obtaining copies of purchase documentation for each acquisition and considering which party has control, the percentage acquired, the consideration offered and details of any deferred consideration • reviewing the details of clauses in the heads of terms and the sale and purchase agreements for each acquisition to determine the date on which control passes, and hence determining the date of acquisition i.e. the date control was obtained • agreeing the amounts of consideration to cash amounts paid and the share consideration to share certificates issued and the market price on issue • confirming that the accounting treatment applied for each transaction is in accordance with relevant accounting standards • reviewing and challenging the appropriateness of the assumptions used in the fair value calculations to value the customer relationships and agreeing these to supporting evidence, including the growth rate, customer attrition rate and discount rate applied • considering whether there are any other intangible assets which should be recognised as part of the fair value exercise • reviewing the useful life applied to customer lists and comparing this to historic client retention rates in the acquired businesses, and considering the estimated remaining employment term for fee earners brought in with the acquisition • considering whether fee earners leaving in the period impacted the carrying value of the client relationships recognised in past acquisitions • confirming that the disclosures made in respect of each acquisition are in accordance with the relevant standard.
Key observations	Following discussions with management and adjustments to the treatment of payments to retiring fee earners for restrictive covenants, and detailed consideration of the date on which the Group obtains control of the acquirees, based on the audit work performed we consider the acquisition accounting to have been appropriately applied and that management has identified and valued the acquired intangible assets in accordance with IFRS 3, Business combinations.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	£771,000 (2020: £539,000)	£514,000 (2020: £365,000)
Basis for determining overall materiality	3% of underlying EBITDA	0.7% of net assets
Rationale for benchmark applied	A key metric used by management and shareholders in assessing performance of the Group is underlying EBITDA, as disclosed in note 36.	The parent company does not trade; its function is to hold investments in the Group's trading entities. As a result, the benchmark for this entity is net assets.
Performance materiality	£578,000 (2020: £404,000)	£385,500 (2020: £273,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £38,500 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £25,700 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of seven components, all of which are based in the UK.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Net assets	Underlying EBITDA
Full scope audit	3	99%	99%	98%
Specific audit procedures	1	1%	1%	2%
Total	**4**	**100%**	**100%**	**100%**

The remaining three components are not material either individually or in aggregate.

Of the above, for one component specific audit procedures on amounts recoverable on contracts, being the only material balance in that component which carries a significant risk, were undertaken by component auditors.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 62, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report continued

to the Members of Knights Group Holdings plc

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the audit engagement team included:
IFRS and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; and Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	Inspection of advice received from internal tax advisors; Inspection of correspondence with local tax authorities; Input from a tax specialist was obtained regarding the tax impact of employee share schemes in operation during the year and the impact of transaction costs incurred in acquisitions on the group's tax charge; and Consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	Our audit procedures in this area are detailed above under key audit matters.
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

During the year the provision of an application programming interface, enabling the group to download its periodic VAT details to HMRC in compliance with the Making Tax Digital legislation, was inadvertently provided. This was not a service permitted by the FRC's Revised Ethical Standard 2019. We have reassessed our independence and concluded that it has not been compromised due to the size of the fee totalling £175 for the year, the automated nature of the service, and the fact that it does not impact the Group's accounting and financial reporting systems, or the production of the financial statements. Provision of the service ceased as soon as it was discovered. We have discussed the inadvertent breach with the audit committee, as described in their report on page 59 of the financial statements, who also concluded that our independence was not compromised.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

GEOFF WIGHTWICK (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Festival Way
Stoke on Trent
Staffordshire
ST1 5BB

15 July 2021

Consolidated Statement of Comprehensive Income

For the year ended 30 April 2021

	Note	**Year ended 30 April 2021 £'000**	Year ended 30 April 2020 £'000
Revenue	5	**103,201**	74,254
Other operating income	7	**1,310**	894
Staff costs	8	**(62,707)**	(45,578)
Depreciation and amortisation charges	11	**(7,730)**	(4,276)
Impairment of trade receivables and contract assets		**(223)**	(112)
Other operating charges	12	**(16,173)**	(11,504)
Operating profit before non-underlying charges		**17,678**	13,678
Non-underlying operating costs	13	**(10,288)**	(8,090)
Operating Profit		**7,390**	5,588
Finance costs	14	**(1,881)**	(1,530)
Profit before tax		**5,509**	4,058
Taxation	16	**(2,107)**	(2,238)
Profit and total comprehensive income for the year attributable to equity owners of the parent		**3,402**	1,820

Earnings per share		**Pence**	Pence
Basic earnings per share	17	**4.14**	2.44
Diluted earnings per share	17	**4.09**	2.41

Consolidated Statement of Financial Position

As at 30 April 2021

	Note	**30 April 2021 £'000**	30 April 2020 £'000
Assets			
Non-current assets			
Intangible assets and goodwill	19	**79,523**	69,135
Property, plant and equipment	21	**9,538**	5,562
Right-of-use assets	21	**40,406**	23,749
		129,467	98,446
Current assets			
Contract assets	22	**28,530**	21,507
Trade and other receivables	23	**31,521**	27,046
Cash and cash equivalents		**4,783**	12,741
		64,834	61,294
Total assets		**194,301**	159,740
Equity and liabilities			
Equity			
Share capital	24	**165**	164
Share premium	25	**68,369**	66,252
Merger reserve	26	**(3,536)**	(3,536)
Retained earnings	26	**17,691**	13,070
Equity attributable to owners of the parent		**82,689**	75,950
Non-current liabilities			
Lease liabilities	37	**39,020**	21,078
Borrowings	27	**23,650**	28,650
Deferred consideration	28	**–**	127
Deferred tax	29	**5,655**	5,429
Provisions	31	**2,998**	–
		71,323	55,284
Current liabilities			
Lease liabilities	37	**3,620**	2,766
Borrowings	27	**414**	–
Trade and other payables	30	**32,303**	20,019
Deferred consideration	28	**1,095**	2,723
Contract liabilities	22	**216**	177
Corporation tax liability		**765**	675
Provisions	31	**1,876**	2,146
		40,289	28,506
Total liabilities		**111,612**	83,790
Total equity and liabilities		**194,301**	159,740

The financial statements were approved by the Board and authorised for issue on 14 July 2021 and are signed on its behalf by:

Kate Lewis
Director

Registered No. 11290101

Consolidated Statement of Changes in Equity

For the year ended 30 April 2021

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
As at 1 May 2019		147	32,486	(3,536)	12,216	41,313
Profit for the period and total comprehensive income		–	–	–	1,820	1,820
Transactions with owners in their capacity as owners:						
Credit to equity for equity-settled share-based payments	9	–	–	–	789	789
Issue of shares	24, 25	17	33,766	–	–	33,783
Dividends	18	–	–	–	(1,755)	(1,755)
Balance at 30 April 2020		**164**	**66,252**	**(3,536)**	**13,070**	**75,950**
Profit for the period and total comprehensive income		**–**	**–**	**–**	**3,402**	**3,402**
Transactions with owners in their capacity as owners:						
Credit to equity for equity-settled share-based payments	9	**–**	**–**	**–**	**1,219**	**1,219**
Issue of shares	24, 25	**1**	**2,117**			**2,118**
Dividends	18	**–**	**–**	**–**	**–**	**–**
Balance at 30 April 2021		**165**	**68,369**	**(3,536)**	**17,691**	**82,689**

Consolidated Statement of Cash Flows

For the year ended 30 April 2021

	Note	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Operating activities			
Cash generated from operations	34	**20,378**	13,791
Non-underlying operating costs paid	13	**(4,268)**	(3,398)
Interest received		**461**	328
Tax paid		**(2,125)**	(2,907)
Contingent acquisition payments		**(5,597)**	(1,850)
Net cash from operating activities		**8,849**	5,964
Investing activities			
Acquisition of subsidiaries	20	**(1,195)**	(11,907)
Purchase of intangible fixed assets	19	**(196)**	(26)
Purchase of property, plant and equipment	21	**(4,356)**	(2,501)
Proceeds from sale of property, plant and equipment		**6**	21
Landlord capital contribution		**2,265**	–
Payment of deferred consideration		**(3,171)**	(2,116)
Net cash used in investing activities		**(6,647)**	(16,529)
Financing activities			
Proceeds from issue of share capital		**–**	20,543
Proceeds of new borrowings		**19,000**	44,800
Repayment of borrowings		**(24,000)**	(35,150)
Repayment of debt acquired with subsidiaries	20	**(2,387)**	(7,049)
Repayment of lease liabilities		**(2,564)**	(1,576)
Interest and other finance costs paid		**(1,772)**	(1,411)
Associated lease costs		**(289)**	–
Dividends paid		**–**	(1,755)
Net cash (used in)/ generated from financing activities		**(12,012)**	18,402
Net (decrease)/ increase in cash and cash equivalents		**(9,810)**	7,837
Cash and cash equivalents at the beginning of the period		**12,741**	4,904
Cash and cash equivalents at end of period (net of overdraft £1,852,000)		**2,931**	12,741

Notes to the Consolidated Financial Statements

For the year ended 30 April 2021

1. General Information

Knights Group Holdings plc ("the Company") is a public company limited by shares and is registered, domiciled and incorporated in England.

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 financial statements have been prepared in accordance with IAS in conformity with the requirements of Companies Act 2006.

Applying IFRS requires the Directors to exercise judgement and use certain critical accounting estimates, the judgments and estimates that the Directors deem significant in the preparation of these financial statements are explained in note 4.

The financial statements have been prepared on the historical cost basis unless IFRSs requires an alternative treatment. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

The principal accounting policies adopted are set out below. These policies have been consistently applied to all periods presented in the financial statements, unless otherwise stated.

2.2 Going concern

The accounts are prepared on a going concern basis as, at the time of approving the financial statements, the Directors have a reasonable expectation that the Group and Company have 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 £40,000,000 available until June 2023. The Group's forecasts show sufficient cash generation and headroom in banking facilities and covenants, in relation to anticipated future requirements to support the Directors' conclusion that the assumption of the going concern basis of accounting in preparing the financial statements is appropriate.

In the period since the pandemic arose and the UK entered lockdown at the end of March 2020, the Group has continued 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 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 the accounts.

2.3 Basis of consolidation

The consolidated financial statements incorporate the results of Knights Group Holdings plc and all of its subsidiaries. Subsidiaries results are consolidated in the financial statements from the earlier date that economic benefit is obtained or control commences until the date that control ceases.

On 18 June 2018, the whole of the share capital of Knights 1759 Limited was acquired by the Company via a share for share exchange agreement. The acquisition is outside the scope of IFRS 3 because Knights Group Holdings Limited did not meet the definition of a business. In the absence of specific guidance in IFRS, the Group has selected an appropriate accounting policy using the hierarchy described in paragraphs 10 to 12 of IAS 8, which permits the consideration of other Financial Reporting Standards. The Group has adopted the principles of merger accounting from FRS 102. Accordingly, the consolidated financial statements for the Group have been presented as if Knights 1759 Limited had been owned by Knights Group Holdings plc throughout the preceding period.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the earlier date that control commences until the date that control ceases.

Transactions eliminated on consolidation

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial information of subsidiaries to bring the accounting policies used into line with those used by the Group.

Audit exemption of subsidiaries

The following subsidiaries are exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of the Act.

Name	Registered number
BrookStreet Des Roches	OC317863
Dakeyne Emms Gilmore Liberson Limited	06850969
ERT Law Limited	09182964
Croftons Solicitors LLP	OC343375
Shulmans LLP	OC348166
ASB Law LLP	OC351354
ASB Aspire LLP	OC327667
OTB Eveling LLP	OC371214
Mundays LLP	OC313856

The outstanding liabilities at 30 April 2021 of the above named subsidiaries have been guaranteed by the Company pursuant to s479A to s479C of the Act. In the opinion of the Directors, the possibility of the guarantee being called upon is remote since the trade, assets and majority of liabilities of these subsidiaries were transferred to Knights Professional Services Limited before 30 April 2021.

2.4 Business combinations

The cost of a business combination is the fair value at the acquisition date, of the assets given, equity instruments issued and liabilities incurred or assumed.

The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

2.5 Revenue

The Group earns revenue from the provision of legal and professional services. Revenue for these services is recognised over time in the accounting period when services are rendered as the Group has an enforceable right to payment for work performed to date under its client terms of engagement.

Fee arrangements for legal and professional services include fixed fee arrangements, unconditional fee-for-service arrangements ("time and materials"), and variable or contingent fee arrangements.

For fixed fee arrangements, revenue is recognised based on the stage of completion with reference to the actual services provided as a proportion of the total services expected to be provided under the contract. The stage of completion is tracked on a contract-by-contract basis using the hours spent by fee-earners providing the services.

In fee-for-service contracts, revenue is recognised up to the amount of fees that the Group is entitled to bill for services performed to date based on contracted rates.

Under variable or contingent fee arrangements, fees may be earned only in the event of a successful outcome of a client's claim. Fees under these arrangements may be fixed or may be variable based on a specified percentage of damages awarded under a claim.

For variable or contingent fee arrangements management makes a detailed assessment of the amount of revenue expected to be received and the probability of success of each case. Variable consideration is recognised over the duration of the matter only to the extent that it is highly probable that the amount recognised will not be subject to significant reversal when the matter is concluded based on the expected amount recoverable at that point in time. In such circumstances, a level of judgement is required to determine the likelihood of success of a given matter, as well as the estimated amount of fees that will be recovered in respect of the matter. Where the likelihood of success of a contingent fee arrangement is less than highly probable, the value recognised in contract assets is further reduced to reflect this uncertainty.

Certain contingent fee arrangements are undertaken on a partially funded basis. In such arrangements, the funded portion of fees is not contingent on the successful outcome of the litigation and in these instances the revenue is recognised up to the amount of fees that the Group is entitled to bill for services performed to date based on contracted rates. The remaining consideration is variable and conditional on the successful resolution of the litigation. The variable consideration is recognised over the duration of the matter and included in revenue based on expected amount recoverable only to the extent that it is highly probable that the amount recognised will not be subject to significant reversal when the uncertainty is resolved at that point in time.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2021

2. Accounting policies continued

The Group's contracts with clients each comprise of a single distinct performance obligation, being the provision of legal and professional services in relation to a particular matter and the transaction price is therefore allocated to this single performance obligation.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the Statement of Comprehensive Income in the period in which the circumstances that give rise to the revision become known by management.

The Group has determined that no significant financing component exists in respect of the provision of legal and professional services because the period between when the entity transfers its services to a client and when the client pays for that service will generally be one year or less.

Consideration for services provided under contingent or variable fee arrangements may be paid after a longer period. In these cases, no significant financing component exists because the consideration promised by the customer is variable subject to the occurrence or non-occurrence of a future event that is not substantially within the control of the client or the Group.

A receivable is recognised when a bill has been issued to the client, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Unbilled revenue is recognised as contract assets. Costs incurred in fulfilling the future performance obligations of a contract are recognised as contract assets if the costs are expected to be recovered.

Contract liabilities are recognised in respect of consideration billed in advance of satisfying the performance obligation under the contract.

Revenue does not include disbursements. Recoverable expenses incurred on client matters that are expected to be recovered and are billed during the period are recognised in other income.

2.6 Taxation

The tax expense represents the sum of the current tax expense and the deferred tax expense. Current tax assets are recognised when the tax paid exceeds the tax payable. Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.7 Intangible assets – Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses. Goodwill is tested annually by the Directors for evidence of impairment.

2.8 Intangible assets – Other than goodwill

Intangible assets purchased, other than in a business combination, are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Intangible assets arising on a business combination, such as customer relationships, are recognised at estimated fair value, except where the asset does not arise from legal or contractual rights, and there is no history or evidence of exchange transactions for the same or similar assets and estimating the assets fair value would depend on immeasurable variables. The fair value represents the Directors' best estimate of future economic benefit to be derived from these assets discounted at an appropriate rate.

Intangible assets are initially recognised at estimated cost (which for intangible assets acquired in a business combination is the fair value at acquisition date) and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised to the Statement of Comprehensive Income on a straight-line basis over their estimated useful lives, as follows:

Purchased computer software	–	4 years
Customer relationships	–	4-25 years
Restrictive covenants	–	remaining length of covenant
Brand	–	100 years

Purchased computer software is amortised over a period of 4 years, being the minimum period expected to benefit from the asset.

Customer relationships are amortised over a period of 4-25 years being the average length of relationship with key clients for acquired entities.

Restrictive covenants are amortised over the remaining length of covenant.

Brand value is amortised over a period of 100 years based on the Directors' assessment of the future life of the brand. This is supported by a trading history dating back to 1759. Brand value relates to the 'Knights' brand only. Other acquired brands are not recognised as an asset as the acquired entities are rebranded as Knights and the impact of such recognition would not be material.

2.9 Property, plant and equipment

Property, plant and equipment are stated at cost net of depreciation and any provision for impairment.

Depreciation is provided on property, plant and equipment at rates calculated to write each asset down to its estimated residual value over its expected useful life, as follows:

Expenditure on short leasehold property	–	10% on cost
Office equipment	–	25% on cost
Furniture and fittings	–	10% on cost
Motor vehicles	–	25% on cost
Right-of-use assets	–	remaining life of the lease (between 1 and 21 years)

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

2.10 Impairment of non-current assets

An assessment is made at each reporting date of whether there are indications that non-current assets may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Group estimates the recoverable amount of the asset or, for goodwill, the recoverable amount of the cash-generating unit.

Shortfalls between the carrying value of non-current assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. All other impairment losses are recognised in the Statement of Comprehensive Income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in the Statement of Comprehensive Income. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

2.11 Professional indemnity provision

In common with comparable practices, the Group is involved in a number of disputes in the ordinary course of business which may give rise to claims. Provision is made in the financial statements, within provisions for all claims where costs are likely to be incurred. This represents the cost of defending and concluding claims and any excesses that may become payable. The Group carries professional indemnity insurance and no separate disclosure is made of the cost of claims covered by insurance as to do so could seriously prejudice the position of the Group.

2.12 Leases

The Group leases offices, equipment and vehicles. Rental contracts are for periods of between 1 and 25 years. Lease terms are negotiated on a lease by lease basis and contain a variety of terms and conditions.

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (being those assets with a value less than £4,000). For short term and low value leases, the Group recognises the lease payments as an operating expense on a straight line basis over the term of the lease.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term assumed reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Lease payments are of both principal and interest included in financing activities in the cash flow.

The lease liability is presented as a separate line in the Consolidated Statement of Financial Position.

Right-of-use assets are recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the Group.

Subsequent to initial recognition, the lease liability is reduced for payments made and increased to reflect interest on the lease liability (using the effective interest method). The related right-of-use asset is depreciated over the term of the lease or, if shorter, the useful economic life of the leased asset. The lease term shall include the period of an extension option where it is reasonably certain that the option will be exercised. Interest on the lease liability is recognised in the Statement of Comprehensive Income.

An estimate of the costs to be incurred in restoring the leased asset to the condition required under the terms and conditions of the lease is recognised as part of the cost of the right-of-use asset when the Group incurs the obligation for these costs. The costs are incurred at the start of the lease or over the lease term. The provision is measured at the best estimate of the expenditure required to settle the obligation.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2021

2. Accounting policies continued

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

2.13 Retirement benefits

2.13a Defined contribution scheme

The Group operates a defined contribution scheme. The amount charged to the Statement of Comprehensive Income in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accrued expenses or prepayments and other receivables.

2.13b Defined benefit pension scheme

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

Defined benefit assets are not recognised in the Statement of Financial Position, on the basis that future economic benefits are not available to the Group in the form of a reduction in future contributions or a cash refund.

For the 'With Profit Section' contributions are recognised in Statement of Comprehensive Income in the period to which they relate as there is insufficient information available to use defined benefit accounting. A liability will be recognised based on the agreed share of the Group in the scheme. No asset (2020: liability) has been recognised on the basis that future economic benefits are not available to the Group in the form of a reduction in future contributions or a cash refund.

2.14 Share based payments

The cost of providing share based payments to employees is charged to the Statement of Comprehensive Income over the vesting period of the awards. The cost is based on the fair value of awards at the date of grant of the award using an appropriate valuation model. The amount recognised as an expense will be adjusted to reflect differences between the expected and actual vesting levels. Further details of the schemes are included in note 9.

2.15 Financial instruments

Financial instruments are recognised on the date when the Group becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value. Financial instruments are derecognised when the Group is no longer party to the contractual provisions of the instrument.

Financial assets

Contract assets and trade receivables
Contract assets and trade receivables which are receivable within one year are initially measured at fair value. These assets are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses ('ECL') on contract assets and trade receivables. The expected credit losses on trade receivables includes specific provisions against known receivables and an estimate using a provision matrix by reference to past experience and an analysis of the debtor's current financial position on the remaining balance. The expected credit losses on contract assets and other receivables is assessed based on historical credit loss experienced on these types of assets adjusted for known foreseeable estimated losses.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade and other payables
Trade and other payables due within one year are initially measured at fair value and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Deferred consideration
Deferred consideration is initially recognised at the fair value of the amounts payable and subsequently at amortised cost of the agreed payments in accordance with the agreement. Any interest payable on the balance is reflected in the value of the liability and charged monthly to the Statement of Comprehensive Income as it arises.

Borrowings
Borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowings. Borrowings are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Derecognition of financial assets and liabilities
A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

3. Accounting developments

New and amended IFRSs that are effective for the future

At the date of these financial statements, there were new and revised IFRSs which were in issue but which were not yet effective and which have not been applied. The principal ones are;

Revised IFRS	Effective date
Amendments to IFRS9, IAS39, IFRS7, IFRS4 and IFRS16	Effective 1 January 2021, endorsed 13 January 2021
Amendments to IFRS4 Insurance Contracts – deferral of IFRS9	Effective 1 January 2021, endorsed 15 December 2020
Amendments to IFRS3 Business Combinations; IAS16 Property, Plant and Equipment, IAS37 Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements 2018 – 2020	Effective 1 January 2022
IFRS 17 : Insurance contracts	1 January 2023
Amendments to IAS1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-current and Classification of Liabilities as Current or Non-current	1 January 2023

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Amounts recoverable on contracts – contingent fee arrangements

A level of judgement is required to determine the likelihood of success of a given matter for contingent fee arrangements. This is determined on a contract-by-contract basis after considering the relevant facts and circumstances surrounding each matter. The valuation exercise is conducted by experienced fee earners with detailed understanding of the cases. The carrying value of contingent fee arrangements at 30 April 2021 was £5,781,000 (2020: £4,114,000).

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2021

4. Critical accounting judgements and key sources of estimation uncertainty continued

IFRS 16

In applying IFRS 16, the Group uses judgement to assess whether the interest rate implicit in the lease is readily determinable. When the interest rate implicit in the lease is not readily determinable, the Group estimates the incremental borrowing rate based on its external borrowings secured against similar assets, adjusted for the term of the lease.

Business combinations

Management make judgements regarding the date of conrol of an acquisition in accordance with IFRS10. The judgement considers the individual legal agreements on each transaction and the date at which the Group starts to exercise control over the activities of the subsidary, usually the date of exchange of contracts. Financial performance of the acquisitions are included in the consolidated group results from the deemed date of control.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

IFRS 16

The Group makes estimates of the cost of restoring leased assets to their original condition when required to do so under the terms and conditions of the lease. Those estimates are based on the current condition of the leased assets and past experience of restoration costs.

Amounts recoverable on contracts – recoverable amounts

The valuation of amounts recoverable on contracts ("AROC") involves the use of estimates of the likely recovery rate which will be made on the gross value of chargeable time recorded to each matter.

This percentage represents management's best estimate of future value following a line by line review of the matters by fee earners. The estimation process takes into account the progress of the case at the reporting date, the estimated eventual fee payable by the client and the amount of time which will be incurred by fee earners in bringing the matter to a successful conclusion. The amount recognised in AROC at the year end was £28,530,000 (2020: £21,507,000), a 3% change in the estimated recovery of all matters would impact the profit for the period by approximately £982,000 (2020: £990,000).

Accounting for business combinations and valuation of intangibles

Business combinations are accounted for at fair value. The valuation of goodwill and acquired intangibles is calculated separately on each individual acquisition. In attributing value to intangible assets arising on acquisition, management has made certain assumptions in relation to the expected growth rates, profitability, length of key customer relationships and the appropriate weighted average cost of capital ('WACC') and internal rate of return ('IRR').

The value attributable to the intangible assets acquired on acquisitions also impacts the deferred tax provision relating to these items.

The total carrying value of intangibles is £26,544,000 (2020: £24,195,000).

In order to assess the impact of the key assumptions on the values disclosed in the accounts the Directors have applied the following sensitivities to the acquisitions in the current year:

Key assumption	Rate applied in the financial statements	Sensitivity tested	Annual profit impact £'000	Value of intangible assets £'000
Long term growth rate	2%	0%	9	(10)
WACC and IRR	11% – 24%(1)	5%	55	(64)
Length of customer relationships	4-10 years	5 years	(243)	492

(1) each acquisition has been reviewed and, dependent upon the structure of the acquisition, an appropriate WACC or IRR rate has been applied. These sensitivities have been calculated by adjusting the adopted rates as noted above.

Growth rates are estimated based on the current conditions at the date of each acquisition with reference to independent surveys of future growth rates in the legal profession in real, inflation adjusted terms.

The length of customer relationships is estimated by considering the length of time the acquiree has had its significant client relationships up to the date of acquisition and historic customer attrition rates as appropriate.

The Directors consider the resulting valuations used give a reasonable approximation as to the value of the intangibles acquired and that any reasonably possible change in any one of the estimations in isolation would not have a material impact on the financial statements.

The Directors undertake an annual impairment review of goodwill to assess whether the carrying value is still supported by using a discounted cash flow model to derive the value in use of the cash generating unit ('CGU'). Cash flow forecasts are derived from the most recent financial budgets approved by management for the next three years and extrapolated using a terminal value calculation.

The key assumptions for the value in use calculations are those regarding the discount rates and growth rates for the Group's revenues from legal and professional services and the EBITDA margin. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU.

Revenue growth over the three years of the forecast period reflects, for FY22, the current run rate of pre-tax revenue from the Group's existing business and a full year of revenue from acquisitions made during the year ended 30 April 2021, with an element of organic growth in FY22, FY23 and FY24. The long term growth rate of 2% (2020: 2%) is based on UK economic growth forecasts for the legal services market.

The Group has conducted a sensitivity analysis on the impairment test of the CGU value in use. Management considers there is no reasonably plausible scenario under which goodwill would be impaired.

5. Revenue

All revenue is derived from contracts with customers and is recognised over time. As more fully explained in note 6, the Group's legal and professional services business operates as a single business unit so there are no relevant categories into which revenue can be disaggregated.

The transaction price allocated to unsatisfied performance obligations of contracts at 30 April 2021 is not required to be disclosed because it is comprised of contracts that are expected to have a duration of one year or less.

Management information does not distinguish between contingent and non-contingent revenue as contingent fees are not separately identifiable from other fees.

6. Segmental reporting

The Board of Directors, as the chief operating decision-making body, reviews financial information for and makes decisions about the Group's overall legal and professional services business and has identified a single operating segment, that of legal and professional services operating entirely in the UK.

The legal and professional services business operates through a number of different service lines and in different locations; however, management effort is consistently directed to the firm operating as a single segment. No segmental reporting disclosure is therefore provided as all revenue is derived from this single segment.

7. Other operating income

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Other income	**912**	495
Bank interest	**398**	399
	1,310	894

8. Staff costs

The average monthly number of employees (including Executive Directors) of the Group was:

	Year ended 30 April 2021 Number	Year ended 30 April 2020 Number
Fee earners	**933**	664
Other employees	**230**	168
	1,163	832

Their aggregate remuneration comprised:

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Wages and salaries	**54,927**	40,290
Social security costs	**5,603**	4,244
Other pension costs	**1,848**	2,938
Share based payment charge	**619**	276
Other employment costs	**1,169**	782
Aggregate remuneration of employees	**64,166**	48,530
Redundancy costs analysed as non-underlying costs (note 13)	**(1,459)**	(2,952)
Underlying staff costs in Statement of Comprehensive Income	**62,707**	45,578

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2021

8. Staff costs continued

Directors' remuneration

Companies Act disclosures

The total amounts for Directors' remuneration in accordance with Schedule 5 to the Accounting Regulations were as follows:

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Salaries, fees, bonuses and benefits in kind	729	698
Money purchase pension contributions	10	10
	739	708

The number of Directors to whom benefits are accruing under money purchase pension schemes is 2 (2020: 2).

The remuneration of the highest paid Director was:

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Salaries, fees, bonuses and benefits in kind	212	231

9. Share-based payments

The Group issues equity-settled share-based payments to its employees. The Group recognised total expenses of £1,219,000 (2020: £789,000) relating to equity-settled share-based payment transactions in the year.

Any charges relating to schemes introduced as one-off schemes as part of the listing are included in non-underlying costs because the Directors view these schemes as a reward to employees for their past performance prior to the IPO. All charges relating to other recurring LTIP or SAYE schemes are included as a normal operating expense.

The following schemes were in place during the period.

Omnibus Plan

The Omnibus Plan is a discretionary share plan, which is administered, and the grant of awards is supervised by, the Remuneration Committee.

Three forms of award are available under the Omnibus Plan, as considered appropriate by the Remuneration Committee, as follows:

a) "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 targets will apply to Restricted Stock Awards.

b) "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.

c) "Share Options": Awards granted in 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.

	Restricted stock awards		Performance share awards	
	Number	Weighted average exercise price Pence	Number	Weighted average exercise price Pence
Outstanding at 1 May 2019	451,845	0.2	63,352	0.2
Granted during the period	129,112	–	142,862	–
Forfeited during the period	(11,104)	–	–	–
Exercised during the period	(28,967)	–	–	–
Outstanding at 30 April 2020	540,886	0.2	206,214	0.2
Exercisable at 30 April 2020	53,819	0.2	–	–
Granted during the period	85,322	0.2	77,410	0.2
Forfeited during the period	(15,278)	–	(39,814)	–
Exercised during the period	(59,119)	–	–	–
Outstanding at 30 April 2021	**551,811**	**0.2**	**243,810**	**0.2**
Exercisable at 30 April 2021	**69,934**	**0.2**	**–**	**–**

The options outstanding at 30 April 2021 had a weighted average exercise price of 0.2p and a weighted average remaining contractual life of 0.9 years. Shares exercised during the year had a weighted average price of 432p.

The following restricted stock awards were granted in the period; 65,214 options were granted on 12 June 2020, and 20,108 options were granted on 1 September 2020. In addition 65,782 of performance share awards were granted on 24 July 2020 and 11,628 on 1 September 2020. The maximum term of any award is 3 years.

The aggregate of the estimated fair values of the options granted on these dates is £661,027. The model used is based on intrinsic values and the inputs are as follows:

	20,979 options 12 June 2020	20,979 options 12 June 2020	23,256 options 12 June 2020	65,782 options 24 July 2020	10,684 options 1 September 2020	21,052 options 1 September 2020	Weighted average
Share price	358p	358p	358p	427p	462p	462p	406p
Exercise price	0.2p	0.2p	0.2p	0.2p	0.2p	0.2p	0.2p
Expected life	0.9 years	1.9 years	2.7 years	3.0 years	2.0 years	3.0 years	2.2 years

Share Incentive Plan ("SIP")

The SIP is an "all employee" scheme under which every eligible employee within the Group was invited to participate. Eligible employees could apply to invest up to £1,800 from pre-tax income in partnership shares; matching shares were awarded on the basis of 2 free matching shares for each partnership share purchased. The matching shares are forfeited if the employee leaves within 3 years of the grant date. The Black-Scholes valuation model was used for this scheme.

	Partnership Shares Number	Matching Shares Number
Outstanding at 1 May 2019	204,173	408,347
Withdrawn during the period	(22,649)	–
Forfeited during the period	–	(45,298)
Outstanding at 30 April 2020	181,524	363,049
Unrestricted at 30 April 2020	–	–
Withdrawn during the period	(66,891)	–
Forfeited during the period	–	(133,782)
Outstanding at 30 April 2021	**114,633**	**229,267**
Unrestricted at 30 April 2021	**–**	**–**

Sharesave Scheme ("SAYE")

This is an HMRC approved scheme and is open to any person that was an employee or officer of the Group at the launch date of each scheme. Under the scheme, members save a fixed amount each month for three years. Subject to remaining in employment by the Group, at the end of the three-year period they are entitled to use these savings to buy shares in the Company at 80% of the market value at launch date.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2021

9. Share-based payments continued

The first scheme was launched in November 2018 and a new SAYE scheme was launched in February 2020.

	SAYE options	
	Number	Weighted average exercise price Pence
Outstanding at 1 May 2019	896,435	162
Granted during the period	664,796	361
Forfeited during the period	(188,681)	221
Exercised during the period	(12,361)	162
Outstanding at 30 April 2020	1,360,189	251
Exercisable at 30 April 2020	–	–
Forfeited during the period	(104,557)	350
Exercised during the period	(16,678)	164
Outstanding at 30 April 2021	**1,238,954**	**244**
Exercisable at 30 April 2021	**–**	**–**

The options outstanding at 30 April 2021 had a weighted average exercise price of 244p and a weighted average remaining contractual life of 1.2 years.

November 2018 scheme

The aggregate of the estimated fair values of the options granted in November 2018 is £500,000. The inputs into the Black-Scholes model are as follows:

Exercise price	162p
Expected volatility	39.2%
Expected life	3.1 years
Risk-free rate	1.4%
Expected dividend yield	1.1%

February 2020 scheme

The aggregate of the estimated fair values of the options granted in February 2020 is £1,163,000. The inputs into the Black-Scholes model are as follows:

Exercise price	361p
Expected volatility	34.3%
Expected life	3.1 years
Risk-free rate	1.1%
Expected dividend yield	0.7%

Warrants

Warrants were issued to Numis Securities Limited on Admission in respect of their services and shall be exercisable for a period of five years.

	Warrants	
	Number	Weighted average exercise price Pence
Outstanding at 30 April 2019	706,897	1.7
Exercised during the period	(706,897)	–
Outstanding at 30 April 2020	–	–
Outstanding at 30 April 2021	–	–

The warrants were exercised in the prior period and raised £1,230,000.

10. Retirement benefit schemes

The Group operates a defined contribution pension scheme for employees. The total cost charged to income of £1,848,000 (2020: £2,938,000) represents contributions payable to the scheme by the Group. As at 30 April 2021, contributions of £439,000 (2020: £281,000) due in respect of the reporting period had not been paid over to the schemes.

The defined benefit impact is discussed in note 38. There were no charges against income in the year ended 30 April 2021.

11. Depreciation and amortisation charges

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Depreciation	**1,309**	858
Depreciation on right-of-use assets	**3,684**	1,909
Amortisation	**2,704**	1,501
Loss on disposal of property, plant and equipment	**33**	8
	7,730	4,276

Depreciation of £43,000 (2020: £86,000) is included in non-underlying operating costs.

12. Other operating charges

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Establishment costs	**4,140**	2,335
Short term and low value lease costs	**291**	161
Other overhead expenses	**11,742**	9,008
	16,173	11,504

13. Non-underlying operating costs

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Redundancy and reorganisation costs	**1,459**	2,952
Transaction costs	**1,245**	1,406
Onerous short life asset leases	**132**	–
Impairment of right-of-use assets	**635**	126
Loss on disposal	**284**	97
Share based payment charges	**600**	513
Contingent consideration treated as remuneration	**5,933**	2,996
	10,288	8,090

Non-underlying costs cash movement

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Non-underlying operating costs	**10,288**	8,090
Contingent consideration shown separately	**(5,933)**	(2,996)
Non cash movements:		
Share based payment charge	**(600)**	(513)
Loss on disposal	**(284)**	(97)
Onerous leases	**(302)**	(111)
Accrual	**1,099**	(975)
	4,268	3,398

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2021

13. Non-underlying operating costs continued

Non-underlying costs relate to redundancy costs to streamline the support function of the Group following acquisitions and in FY21 as a result of reorganisation actions taken in response to the impact of COVID-19, 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. None of the above costs relate to the underlying costs of the business.

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

14. Finance costs

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Interest on borrowings	**704**	628
Interest on leases	**1,177**	790
Bank arrangement fees	**–**	71
Interest on deferred consideration	**–**	41
	1,881	1,530

15. Auditor's remuneration

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Fees payable to the parent company's auditor and their associates for the audit of the parent company's annual accounts	**29**	29
Fees payable to the auditor and their associates for other services to the Group:		
– The audit of the Company's subsidiaries	**113**	95
Total audit fees	**142**	124
– Audit-related assurance services	**16**	21
– Other advisory services	**–**	3
Total non-audit fees	**16**	24

For the year ended 30 April 2021 £nil (2020: £5,000) of non-audit costs relating to tax services have been charged to the share premium account in the year.

16. Taxation

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Corporation tax:		
Current year	**2,852**	1,915
Adjustments in respect of prior years	**(247)**	(20)
	2,605	1,895
Deferred tax:		
Origination and reversal of temporary differences	**(498)**	343
Tax expense for the year	**2,107**	2,238

The charge for the period can be reconciled to the Statement of Comprehensive Income as follows:

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Profit before tax	**5,509**	4,058
Tax at the UK corporation tax rate of 19% (2020: 19%)	**1,047**	771
Expenses that are not deductible in determining taxable profit	**1,307**	1,487
Adjustment in respect of prior years	**(247)**	(20)
Tax expense for the year	**2,107**	2,238

The impact of non-underlying costs on the effective rate of tax is set out below:

	Year ended 30 April 2021			Year ended 30 April 2020		
	Total £'000	**Underlying £'000**	**Non-Underlying £'000**	Total £'000	Underlying £'000	Non-Underlying £'000
Profit before tax	**5,509**	**18,419**	**(12,910)**	4,058	13,616	(9,558)
Tax expense	**2,107**	**3,379**	**(1,272)**	(2,238)	(2,910)	672
Effective rate of tax	**38%**	**18%**	**10%**	55%	21%	(7%)

In the budget on 3 March 2021, the UK Government announced an increase in the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 2021. Deferred tax has been calculated at 19% which was the tax rate substantively enacted at 30 April 2021. The effect of remeasuring deferred tax to 25% would increase recognised deferred tax liabilities at 30 April 2021 to £8,400,000 and increase recognised deferred tax assets at 30 April 2021 to £959,000. The impact of this on the year ended 30 April 2021 would result in a deferred tax charge of £1,287,000.

17. 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.

	Year ended 30 April 2021 Number	Year ended 30 April 2020 Number
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	**82,189,113**	74,675,462
Effect of dilutive potential Ordinary Shares:		
Share options	**1,021,132**	724,542
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	**83,210,245**	75,400,004

	£'000	£'000
Profit after tax	**3,402**	1,820

Earnings per share	**Pence**	Pence
Basic earnings per share	**4.14**	2.44
Diluted earnings per share	**4.09**	2.41

Underlying earnings per share is calculated as an alternative performance measure in note 36.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2021

18. Dividends

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 30 April 2021 of 0p per share (2020: 0p per share)	–	931
Interim dividend for the year ended 30 April 2021 of 0p per share (2020: 1.10p per share)	–	824
	–	1,755

For the year ended 30 April 2021 the Board decided not to propose a final dividend.

19. Intangible assets and goodwill

	Goodwill £'000	Brand £'000	Customer relationships and Restrictive Covenants £'000	Purchased computer software £'000	Total £'000
Cost					
As at 1 May 2019	26,607	5,401	15,380	346	47,734
Acquisitions of subsidiaries	13,270	–	11,095	–	24,365
Adjustment in respect of consideration not payable	(199)	–	–	–	(199)
Additions	–	–	–	26	26
As at 30 April 2020	39,678	5,401	26,475	372	71,926
Acquisitions of subsidiaries	**7,435**	**–**	**3,702**	**–**	**11,137**
Measurement period adjustments	**544**	**–**	**118**	**9**	**671**
Additions	**–**	**–**	**1,097**	**196**	**1,293**
As at 30 April 2021	**47,657**	**5,401**	**31,392**	**577**	**85,027**
Amortisation and impairment					
As at 1 May 2019	–	216	907	167	1,290
Amortisation charge	–	54	1,373	74	1,501
As at 30 April 2020	–	270	2,280	241	2,791
Adjustments	**–**	**–**	**–**	**9**	**9**
Amortisation charge	**–**	**54**	**2,568**	**82**	**2,704**
As at 30 April 2021	**–**	**324**	**4,848**	**332**	**5,504**
Carrying amount					
At 30 April 2021	**47,657**	**5,077**	**26,544**	**245**	**79,523**
At 30 April 2020	39,678	5,131	24,195	131	69,135
At 30 April 2019	26,607	5,185	14,473	179	46,444

The adjustments to goodwill are measurement period adjustments which have not been applied retrospectively as they are considered to be immaterial.

An intangible asset of £1,097,000 was recognised in the year ended 30 April 2021 relating to certain individuals who left the business with restrictive covenants. The agreed terms of the restrictive covenants are deemed to preserve the value of the asset and it is therefore amortised to the Consolidated Statement of Comprehensive Income on a straightline basis in line with the terms of the restrictive covenants.

The carrying amount of goodwill of £47,657,000 (2020: £39,678,000) has been allocated to the single cash generating unit (CGU) present in the business, which is the provision of legal and professional services.

The recoverable amount of the Group's goodwill has been determined by a value in use calculation using a discounted cash flow model. The Group prepared cash flow forecasts derived from the most recent financial budgets approved by management for the next three years and extrapolates cash flow using a terminal value calculation based on an estimated growth rate of 2% (2020: 2%). This rate does not exceed the expected average long-term growth rate for the UK legal services market.

The key assumptions for the value in use calculations are those regarding the discount rates and growth rates for the Group's revenues from legal and professional services and the EBITDA margin. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU.

The rate used to discount the forecast cash flows is 15.1% (2020: 19.4%).

Revenue growth over the three years of the forecast period reflects, for FY22, the current run rate of revenue from the Group's existing business and a full year of revenue from acquisitions made during the year ended 30 April 2021, and an element of organic growth in FY22, FY23 and FY24 through continued recruitment and increases in chargeable hours and recovered rates. The long-term growth rate is based on UK economic growth forecasts for the legal services market.

The Group has conducted a sensitivity analysis on the impairment test of the CGU value in use. Management considers there is no reasonably plausible scenario under which goodwill would be impaired.

20. Acquisitions

Acquisitions summary

During the year the Group has completed three acquisitions and exchanged on one more, the table below summarises the consideration paid and the net cash flow arising on all acquisitions in the period.

	Total £'000
Total identifiable assets and liabilities acquired	7,224
Goodwill	7,435
Total consideration	14,659
Satisfied by:	
Cash (£4.8m yet to pay on Keebles completion)	8,909
Equity instruments (1,246,234 Ordinary Shares of Knights Group Holdings plc) (£3.5m yet to issue on Keebles completion)	5,450
Deferred consideration arrangement	300
Total consideration transferred	14,659
Net cash outflows arising on acquisition:	
Cash consideration (net of cash acquired) (£4.8m yet to pay on Keebles completion)	6,005
Net investing cash outflow arising on acquisition	6,005
Repayment of debt acquired (excluding £0.4m yet to pay on Keebles completion)	2,387
Net financing cash outflow arising on acquisition	2,387

The allocation of fair values is incomplete at the period end and values are provisional. Details for the individual acquisitions are included on the following pages.

The acquisition date in each case is the date of exchange of the sale and purchase agreement, being the date on which control passes and the Group is exposed to variable returns.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2021

20. Acquisitions continued

OTB Eveling LLP ('OTBE')

On 23 November 2020, the Group exchanged contracts to acquire OTBE by purchasing the controlling membership interests of the entity. This acquisition completed on 14 December 2020. OTBE is a law firm which will introduce Knights' existing corporate, employment, dispute resolution and real estate offering to the South West region.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	Carrying amount £'000	Fair value adjustment £'000	Total £'000
Identifiable assets			
Identifiable intangible assets	–	443	443
Property, plant and equipment	58	–	58
Right-of-use assets	–	201	201
Contract assets	490	(58)	432
Trade and other receivables	375	–	375
Cash and cash equivalents	64	–	64
Liabilities			
Trade and other payables	(202)	(34)	(236)
Lease liabilities	-	(201)	(201)
Borrowings	(255)	–	(255)
Provisions	(20)	(54)	(74)
Deferred tax	–	(84)	(84)
Total identifiable assets and liabilities	510	213	723
Goodwill			683
Total consideration			1,406
Satisfied by:			
Cash			706
Equity instruments (164,336 Ordinary Shares of Knights Group Holdings plc)			700
Total consideration transferred			1,406
Net cash outflow arising on acquisition:			
Cash consideration (net of cash acquired)			642
Repayment of debt			255
Net cash outflow arising on acquisition			897

The goodwill of £683,000 arising from the acquisition represents the assembled workforce. None of the goodwill is expected to be deductible for income tax purposes.

The fair value of the Ordinary Shares issued as part of the consideration was determined on the basis of the volume weighted average share price for the 5 days prior to exchange.

A contingent consideration arrangement was entered into as part of the acquisition. This is contingent on the sellers remaining in employment by the Group so it has been excluded from the consideration and will be recognised in the Statement of Comprehensive Income on a straight-line basis over the 2 year post-acquisition period. The maximum undiscounted amount of all potential future payments under the contingent consideration arrangement is £700,000 and is payable in equal instalments on the first and second anniversary of completion.

OTBE contributed £1,003,000 of revenue to the Group's Statement of Comprehensive Income for the period from 1 November 2020 to 30 April 2021. 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 December 2020.

The revenue and profit had the acquisition occurred at the beginning of the year is not separately identifiable due to lack of management account information available and the full integration on hive up.

Mundays LLP ('Mundays')

On 21 March 2021, the Group exchanged contracts to acquire Mundays by purchasing the controlling membership interests of the entity. Economic benefit is assumed from 21 March 2021. This acquisition completed on 16 April 2021. Mundays is a law firm which will strengthen Knights' presence in the South East.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	Carrying amount £'000	Fair value adjustment £'000	Total £'000
Identifiable assets			
Identifiable intangible assets	–	905	905
Property, plant and equipment	795	(9)	786
Right-of-use assets	–	3,159	3,159
Contract assets	753	(117)	636
Trade and other receivables	1,144	(114)	1,030
Cash and cash equivalents	3,051	–	3,051
Liabilities			
Trade and other payables	(1,977)	268	(1,709)
Lease liabilities	–	(3,201)	(3,201)
Borrowings	(2,132)	–	(2,132)
Provisions	(172)	(149)	(321)
Deferred tax	–	(173)	(173)
Total identifiable assets and liabilities	1,462	569	2,031
Goodwill			1,974
Total consideration			4,005
Satisfied by:			
Cash			2,755
Equity instruments (289,908 Ordinary Shares of Knights Group Holdings plc)			1,250
Total consideration transferred			4,005
Net cash outflow arising on acquisition:			
Cash consideration (net of cash acquired)			(296)
Repayment of debt			2,132
Net cash outflow arising on acquisition			1,836

The goodwill of £1,974,000 arising from the acquisition represents the assembled workforce. None of the goodwill is expected to be deductible for income tax purposes.

The fair value of the Ordinary Shares issued as part of the consideration was determined on the basis of the volume weighted average share price for the 5 days prior to exchange.

A contingent consideration arrangement was entered into as part of the acquisition. This is contingent on the sellers remaining in employment by the Group so it has been excluded from the consideration and will be recognised in the Statement of Comprehensive Income on a straight-line basis over the 2 year post acquisition period. The maximum undiscounted amount of all potential future payments under the contingent consideration arrangement is £1,375,000 and is payable on the first and second anniversary of completion, £750,000 and £625,000 retrospectively.

Mundays contributed £956,000 of revenue to the Group's Statement of Comprehensive Income for the period from 22 March 2021 to 30 April 2021. The profit contributed is not separately identifiable due to the hive-up of its trade and assets being incorporated into Knights Professional Services Limited from 16 April 2021.

The revenue and profit had the acquisition occurred at the beginning of the year is not separately identifiable due to lack of management account information available and the full integration on hive up.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2021

20. Acquisitions continued

Housing Law Services LLP ('HLS')

On 31 March 2021 the Group exchanged contracts to acquire specific asset and liabilities of HLS. HLS provides niche housing team that will complement the existing Knights housing services offering. The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

The amounts recognised in respect of the identifiable assets acquired and liabilities are as set out in the table below.

	Carrying amount £'000	Fair value adjustment £'000	Total £'000
Identifiable assets			
Identifiable intangible assets	–	503	503
Contract assets	15	–	15
Trade and other receivables	128	–	128
Cash and cash equivalents	267	–	267
Liabilities			
Trade and other payables	(62)	(9)	(71)
Deferred tax	–	(96)	(96)
Total identifiable assets and liabilities	348	398	746
Goodwill			92
Total consideration			838
Satisfied by:			
Cash			538
Deferred consideration			300
Total consideration transferred			838
Net cash outflow arising on acquisition:			
Cash consideration (net of cash acquired)			271
Net cash outflow arising on acquisition			271

The goodwill of £92,000 arising from the acquisition represents the assembled workforce. None of the goodwill is expected to be deductible for income tax purposes.

HLS contributed £181,000 of revenue to the Group's Statement of Comprehensive Income for the period from 31 March 2021. 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 23 April 2021.

The revenue and profit had the acquisition occurred at the beginning of the year is not separately identifiable due to lack of management account information available.

Keebles LLP ('Keebles)

On 30 April 2021, the Group exchanged contracts to acquire Keebles by purchasing the controlling membership interests of the entity. Economic benefit was obtained from 30 April 2021. This acquisition completed on 11 June 2021. Keebles provides entry into Sheffield and complements the Group's existing presence in Nottingham and Leeds.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	Carrying amount £'000	Fair value adjustment £'000	Total £'000
Identifiable assets			
Identifiable intangible assets	–	1,851	1,851
Property, plant and equipment	398	–	398
Right-of-use assets	–	1,255	1,255
Contract assets	3,114	–	3,114
Trade and other receivables	3,109	(109)	3,000
Cash and cash equivalents	1,374	–	1,374
Liabilities			
Trade and other payables	(2,087)	(640)	(2,727)
Lease liabilities	–	(1,255)	(1,255)
Overdraft	(1,852)	–	(1,852)
Debt	(414)	–	(414)
Provisions	(189)	(480)	(669)
Deferred tax	–	(351)	(351)
Total identifiable assets and liabilities	**3,453**	**271**	**3,724**
Goodwill			4,686
Total consideration			**8,410**
Satisfied by:			
Cash			4,910
Equity instruments (791,990 Ordinary Shares of Knights Group Holdings plc)			3,500
Total consideration transferred			**8,410**
Net cash outflow arising on acquisition:			
Cash consideration (net of cash acquired) (£4.8m yet to pay on Keebles completion)			5,388
Repayment of debt			414
Net cash outflow arising on acquisition			**5,802**

The goodwill of £4,686,000 arising from the acquisition represents the assembled workforce. None of the goodwill is expected to be deductible for income tax purposes.

The fair value of the Ordinary Shares issued as part of the consideration will be determined on the basis of the volume weighted average share price for the 5 days prior to exchange.

A contingent consideration arrangement was entered into as part of the acquisition. This is contingent on the sellers remaining in employment by the Group so it has been excluded from the consideration and will be recognised in the Statement of Comprehensive Income on a straight-line basis over the 2 year post acquisition period. The maximum undiscounted amount of all potential future payments under the contingent consideration arrangement is £3,132,000 and is payable on the first and second anniversary of completion.

A non-refundable deposit of £100,000 was paid on exchange.

The revenue and profit had the acquisition occurred at the beginning of the year is not separately identifiable due to lack of management account information available and the business structure of the acquired entity.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2021

21. Property, plant and equipment

	Expenditure on short leasehold property £'000	Office equipment £'000	Furniture and fittings £'000	Motor vehicles £'000	Right-of-use assets £'000	Total £'000
Cost						
As at 1 May 19	2,006	1,932	1,049	5	19,407	24,399
Acquisitions of subsidiaries	367	586	151	–	4,515	5,619
Additions	1,129	982	12	–	1,822	3,945
Disposals	(1)	(70)	(217)	(5)	–	(293)
As at 30 April 2020	3,501	3,430	995	–	25,744	33,670
Acquisitions of subsidiaries	566	493	183	–	4,615	5,857
Additions	3,350	1,005	1	–	16,385	20,741
Disposals	(160)	(20)	(149)	–	(154)	(483)
Impairment	–	–	–	–	(739)	(739)
Alignment	618	(452)	11	–	–	177
As at 30 April 2021	7,875	4,456	1,041	–	45,851	59,223
Depreciation and impairment						
As at 1 May 2019	406	950	312	5	–	1,673
Depreciation charge	250	494	114	–	1,995	2,853
Eliminated on disposal	–	(4)	(158)	(5)	–	(167)
As at 30 April 2020	656	1,440	268	–	1,995	4,359
Depreciation charge	446	761	102	–	3,727	5,036
Eliminated on disposal	(25)	(3)	(24)	–	(84)	(136)
Impairment	–	–	–	–	(193)	(193)
Alignment	616	(416)	13	–	–	213
As at 30 April 2021	1,693	1,782	359	–	5,445	9,279
Carrying amount						
At 30 April 2021	6,182	2,674	682	–	40,406	49,944
At 30 April 2020	2,845	1,990	727	–	23,749	29,311
At 30 April 2019	1,600	982	737	–	–	3,319

Depreciation of £43,000 (2020: £86,000) and net impairment due to leases being classified as onerous of £546,000 (2020: £nil) is included in non-underlying operating costs.

See note 37 for further details of Right-of-use assets.

22. Contract assets and liabilities

	Contract assets £'000	Trade receivables £'000	Contract liabilities £'000
As at 30 April 2021	28,530	25,951	(216)
As at 30 April 2020	21,507	22,450	(177)

The movement during the year is not separately identifiable.

Contract assets

Contract assets consist of unbilled revenue in respect of legal and professional services performed to date.

Contract assets in respect of fee-for-service and fixed fee arrangements are billed at appropriate intervals, normally on a monthly basis in arrears, in line with the performance of the services. Where such matters remain unbilled at the period end the asset is valued on a contract-by-contract basis at its expected recoverable amount.

The Group undertakes some matters based on contingent fee arrangements. These matters are billed when the claim is successfully settled. For matters ongoing at the period end, each matter is valued based on its specific circumstances. If the matter has agreed funding arrangements in place, then it is valued based on the estimated amount recoverable from the funding depending on the stage of completion of the matter.

If the liability of a matter has been admitted and performance obligations satisfied, such that it is no longer contingent, these matters are valued based on the expected recoverable amount. Due to the complex nature of these matters, they can take a considerable time to be finalised therefore performance obligations may be settled in one period but the matter not billed until a later financial period. The amount of contingent fee work in progress at 30 April 2021 was £5,781,000 (2020: £4,114,000).

If the performance obligations for contingent matters have not been satisfied at the reporting date, these assets are valued on a contract-by-contract basis taking into account the expected recoverable amount and the likelihood of success. Where the likelihood of success of a contingent fee arrangement is less than highly probable, the amount recognised in contract assets is further reduced to reflect this uncertainty.

During the year, contract assets of £4,196,000 (2020: £8,292,000) were acquired in business combinations.

An impairment loss of £30,000 has been recognised in relation to contract assets in the year (2020: £27,000). This is based on the expected credit loss under IFRS 9 of these types of assets. The contract asset loss is estimated at 0.2% (2020: 0.2%) of the balance.

Trade receivables

Trade receivables are recognised when a bill has been issued to the client, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Trade receivables also includes disbursements.

Bills are payable within thirty days unless otherwise agreed with the client.

Contract liabilities

When matters are billed in advance or on the basis of a monthly retainer, this is recognised in contract liabilities and released over time when the services are performed.

23. Trade and other receivables

	30 April 2021 £'000	30 April 2020 £'000
Trade receivables	26,953	23,003
Impairment provision – Trade receivables	(1,002)	(553)
Prepayments and other receivables	5,570	4,596
	31,521	27,046

Trade receivables

The average credit period taken on sales is 35 days as at 30 April 2021 (2020: 42 days). No interest is charged on trade receivables. The Group uses appropriate methods to recover all balances once overdue. Once the expectation of recovery is deemed remote a debt may be written off.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses ('ECL'). The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. As the Group's historical credit loss experience does not show significantly different loss patterns for different client segments, the provision for loss allowance is based on past due status.

The following table details the risk profile of trade receivables (excluding disbursements) based on the Group's provision matrix.

30 April 2021	Not past due	31-60 days past due	61-90 days past due	91-120 days past due	>120 days past due	Total
Expected credit loss rate	0.21%	0.22%	0.24%	1.17%	23.20%	3.10%
Estimated total gross carrying amount (£'000)	12,925	3,958	1,362	827	2,696	21,768
Lifetime ECL £'000	27	9	3	10	625	674

In addition to the above on trade receivables a further £328,000 (2020: £90,000) impairment loss has been recognised against disbursement balances. This is based on 100% impairment against all disbursements with no activity on the matter for over 12 months and 0.2% against the remainder of the balance based upon the expected credit loss of this type of asset.

Other receivables

As at 30 April 2021 other receivables includes £nil (2020: £187,000) of consideration paid in advance relating to the acquisition of Cummins Solicitors Limited which is contingent on continued employment over a 2 year period. This was released to the Statement of Comprehensive Income over the 2 year period.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2021

24. Share capital

	Ordinary shares	
	Number	£'000
As at 1 May 2019	73,325,419	147
Changes during the period		
Ordinary shares of 0.2p each issued at share placing	4,761,905	9
Ordinary shares of 0.2p each issued in respect of exercised share options	41,328	1
Ordinary shares of 0.2p each issued in respect of exercised share options equivalent to dividend entitlement	139	–
Ordinary shares of 0.2p each issued in respect of exercised share warrants	706,897	1
Ordinary shares of 0.2p each issued as consideration in the purchase of subsidiaries	3,240,644	6
As at 30 April 2020	**82,076,332**	**164**
Changes during the period		
Ordinary shares of 0.2p each issued in respect of exercised share options	**75,798**	**–**
Ordinary shares of 0.2p each issued in respect of exercised share options equivalent to dividend entitlement	**418**	**–**
Ordinary shares of 0.2p each issued as consideration in the purchase of subsidiaries	**454,244**	**1**
At 30 April 2021 (allotted, called up and fully paid)	**82,606,792**	**165**

25. Share premium

	£'000
As at 1 May 2019	32,486
Premium arising on issue of equity shares	34,475
Expenses of issue of equity shares	(709)
As at 30 April 2020	66,252
Premium arising on issue of equity shares	**2,117**
At 30 April 2021	**68,369**

26. Reserves

	Merger reserve £'000	Retained earnings £'000
As at 1 May 2019	(3,536)	10,158
IFRS 16 impact (note 37)	–	2,058
Profit for the period and total comprehensive income	–	1,820
Credit to equity for equity-settled share-based payments	–	789
Dividends (note 18)	–	(1,755)
Balance at 30 April 2020	(3,536)	13,070
Profit for the period and total comprehensive income	**–**	**3,402**
Credit to equity for equity-settled share-based payments	**–**	**1,219**
Balance at 30 April 2021	**(3,536)**	**17,691**

The merger reserve of £3,536,000 arose on the share for share exchange by Knights 1759 Limited and Knights Professional Services Limited. The reserve is the difference between the nominal value of Knights 1759 Limited share capital and amounts paid to the shareholders as part of the Group reorganisation in October 2016 and the share capital, share premium value and capital redemption of the shares acquired in Knights Professional Services Limited.

Retained Earnings represents cumulative profits and losses of the Group net of distributions to members.

27. Borrowings

	30 April 2021 £'000	30 April 2020 £'000
Secured borrowings at amortised cost:		
Bank loans	**24,064**	28,650
Total borrowings	**24,064**	28,650
Amount due for settlement within 12 months	**414**	–
Amount due for settlement after 12 months	**23,650**	28,650

The above excludes lease liabilities.

All of the Group's borrowings are denominated in sterling.

The Group has a credit facility of £40,000,000 in total (2020: £40,000,000). The facility remains available until 25 June 2023.

The facility is a revolving credit facility and is has the ability to roll on a monthly or quarterly basis and is due for final repayment on 25 June 2023. The facility is secured by a fixed and floating charge over the Group's assets. The facility carries an interest margin above LIBOR of between 1.65% and 2.45% depending on the leverage level. A commitment fee of one third of the applicable margin is payable on the undrawn amounts.

The short term bank loan is secured by a debenture over all of the assets of Keebles LLP. The debenture was released on 14 June 2021.

28. Deferred consideration

	30 April 2021 £'000	30 April 2020 £'000
Non-current liabilities		
Deferred consideration	**–**	127
	–	127
Current liabilities		
Deferred consideration	**1,095**	2,723
	1,095	2,723

Deferred consideration as at 30 April 2021 relates to the acquisitions of Fraser Brown, ASB Law LLP, EGL and Shulmans LLP and is not contingent.

In addition the Group has contingent consideration relating to acquisitions accrued and included within trade and other payables. This is contingent based upon continued employment and is being accrued on a monthly basis in the Statement of Comprehensive Income in accordance with the terms of the agreements. It is expected that employment will continue for the terms of the agreements and, therefore, the contingent consideration will be payable in full.

29. Deferred tax

The following are the major deferred tax liabilities and (assets) recognised by the Group and movements thereon during the current and prior reporting period.

	Accelerated capital allowances £'000	Intangible assets £'000	Share–based payments £'000	IFRS 16 £'000	Total £'000
As at 1 May 2019	201	3,347	(60)	–	3,488
IFRS 16 impact	–	–	–	(299)	(299)
Charge/(credit) for the prior year	(87)	(5)	9	–	(83)
Acquisitions of subsidiaries	–	1,897	–	–	1,897
Charge/(credit) for the year	282	308	(156)	(8)	426
As at 30 April 2020	396	5,547	(207)	(307)	5,429
Acquisitions of subsidiaries	**–**	**704**	**–**	**–**	**704**
Charge/(credit) for the year	**148**	**(411)**	**(242)**	**27**	**(478)**
As at 30 April 2021	**544**	**5,840**	**(449)**	**(280)**	**5,655**

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2021

29. Deferred tax continued

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances after offset for financial reporting purposes:

	30 April 2021 £'000	30 April 2020 £'000
Deferred tax assets	(729)	(514)
Deferred tax liabilities	6,384	5,943
	5,655	5,429

30. Trade and other payables

	30 April 2021 £'000	30 April 2020 £'000
Bank overdraft	1,852	–
Trade payables	3,715	3,033
Other taxation and social security	6,564	6,180
Other payables	2,293	2,817
Accrued consideration	8,310	–
Accruals	9,569	7,989
	32,303	20,019

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 26 days (2020: 25 days). No interest is charged on the trade payables.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

Accrued consideration relates the acquisition of Keebles LLP where contracts were exchanged as at 30 April 2021 but did not formally complete until 11 June 2021.

The bank overdraft is secured by a debenture over all of the assets of Keebles LLP. The debenture was released on 14 June 2021.

31. Provisions

	Dilapidation provision £'000	Onerous contract provision £'000	Professional indemnity provision £'000	Total £'000
As at 1 May 2019	473	435	539	1,447
IFRS 16 reallocation	–	(435)	–	(435)
Acquisitions of subsidiaries	652	–	264	916
Additional provision in the year	546	–	90	636
Utilisation of provision	(123)	–	(295)	(418)
As at 30 April 2020	1,548	–	598	2,146
Acquisitions of subsidiaries	768	–	296	1,064
Additional provision in the year	1,828	133	195	2,156
Utilisation of provision	(145)	(127)	(220)	(492)
As at 30 April 2021	3,999	6	869	4,874

The dilapidations provision relates to the potential rectification of leasehold sites upon expiration of the leases. This has been based on internal estimates of the schedule of works included in the lease.

The onerous contract provision relates to vacant offices where the Group is the lessee. The Group is actively marketing these leases for reassignment. The provision represents the Directors' estimate of the future lease payments and other associated property costs to be paid by the Group prior to reassignment of the leases. The onerous contracts provision also includes contracts acquired via acquisition that are non-cancellable. The provision represents the remaining payments and other associated property costs under the terms of the lease. Future lease payments are offset against the provision.

The professional indemnity provision relates to a number of disputes in the ordinary course of business for all claims where costs are likely to be incurred and represents the cost of defending and concluding claims and any excess that may become payable. The Group carries professional indemnity insurance and no separate disclosure is made of the cost of claims covered by insurance as to do so could seriously prejudice the position of the Group.

32. Financial instruments

Categories of financial instruments

	30 April 2021 £'000	30 April 2020 £'000
Financial assets		
Amortised cost		
Contract assets	28,530	21,507
Trade and other receivables (excluding prepayments)	26,421	23,425
Cash and cash equivalents	4,783	12,741
Financial liabilities		
Amortised cost		
Borrowings	24,064	28,650
Deferred consideration	1,095	2,850
Trade and other payables	25,739	12,872
Leases	42,640	23,844
Fair value		
Trade and other payables	–	967

Financial risk management objectives

The Group's finance function monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates (see below). Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Interest rate risk management

The Group is exposed to interest rate risk because the Group borrows funds at floating interest rates. The risk is managed by the Group by keeping the level of borrowings at a manageable level.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's profit for the year ended 30 April 2021 would decrease/increase by £120,000 (2020: decrease/increase by £143,000). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in the borrowings of the Group.

Credit risk management

Note 23 details the Group's maximum exposure to credit risk and the measurement bases used to determine expected credit losses.

The risk of bad debts is mitigated by the Group having a policy of performing credit checks or receiving payments on account for new clients when practical and ensuring that the Group's exposure to any individual client is tightly controlled, through credit control policies and procedures.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the financial charges on its debt instruments and repayments of principal. There is a risk that the Group will encounter difficulty in meetings its financial obligations as they fall due or not meet its required covenants. The Group manages this risk and its cash flow requirements through detailed annual and monthly cash flow forecasts. These forecasts are reviewed regularly to ensure that the Group has sufficient working capital to enable it to meet all of its short-term and long-term cash flow needs.

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2021

32. Financial instruments continued

Contractual maturities of financial liabilities

30 April 2021	< 1 year £'000	1-2 years £'000	2-5 years £'000	Total £'000
Borrowings	414	–	23,650	24,064
Deferred consideration	1,095	–	–	1,095
Bank overdraft	1,852	–	–	1,852
Trade and other payables	23,887	–	–	23,887

30 April 2020	< 1 year £'000	1-2 years £'000	2-5 years £'000	Total £'000
Borrowings	–	–	28,650	28,650
Deferred consideration	2,723	127	–	2,850
Trade and other payables	13,839	–	–	13,839

The Group has met its covenant tests during the year.

For lease maturity see note 37.

Capital management

The capital structure of the Group consists of borrowings (as disclosed in note 27) and equity of the Group (comprising issued capital, reserves, and retained earnings as disclosed in the Statement of Changes in Equity).

In managing its capital, the Group's primary objective is to provide a return for its equity shareholders through capital growth and future dividend income. The Group seeks to maintain a gearing ratio that balances risk and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs and objectives.

Gearing ratio

The gearing ratio at the year end is as follows:

	30 April 2021 £'000	30 April 2020 £'000
Borrowings (note 27)	24,064	28,650
Cash and cash equivalents	(4,783)	(12,741)
Bank overdraft	1,852	–
Net debt	21,133	15,909
Equity	82,689	75,950

	%	%
Net debt to equity ratio	26	21

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 2.

33. Capital commitments

As at 30 April 2021 there is a capital commitment of £71,000 (2020: £82,000) in relation to an ongoing office refurbishment.

34. Reconciliation of profit before taxation to net cash generated from operations

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Profit before taxation	5,509	4,058
Adjustments for:		
Amortisation	2,704	1,501
Depreciation – property, plant and equipment	1,309	858
Depreciation – right-of-use assets (net of £43,000 (2020: £86,000) included in non-underlying costs)	3,684	1,909
Loss on disposal of equipment (net of £284,000 (2020: £97,000) included in non-underlying costs)	33	8
Contingent consideration expense	5,933	2,996
Non-underlying operating costs	3,755	4,581
Share based payments	1,387	861
Interest income	(398)	(399)
Interest expense	1,881	1,530
Operating cash flows before movements in working capital	25,797	17,903
Increase in contract assets	(2,827)	(2,103)
Increase in trade and other receivables	(135)	(1,186)
Decrease in provisions	(263)	(183)
Increase in contract liabilities	39	57
Decrease in trade and other payables	(2,233)	(697)
Cash generated from operations	20,378	13,791

Adjusted as follows

	Contract assets £'000	Trade and other receivables £'000	Provisions £'000	Contract liabilities £'000	Trade and other payables £'000
Movement per balance sheet	(7,023)	(4,475)	2,728	39	12,284
Acquired	4,196	4,534	(1,064)	–	(5,043)
Measurement period adjustments	–	(125)	(417)	–	(482)
Keebles consideration yet to be paid/issued	–	–	–	–	(8,310)
Dilapidations adjustment	–	–	(1,510)	–	150
One off	–	–	–	–	1,099
Other	–	(69)	–	–	(79)
Overdraft classed as cash and cash equivalent	–	–	–	–	(1,852)
Total	(2,827)	(135)	(263)	39	(2,233)

35. Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's Consolidated Statement of Cash Flows as cash flows from financing activities.

	Borrowings £'000	Leases £'000
As at 1 May 2020	28,650	23,844
New	19,000	17,049
Acquired	2,801	4,657
Interest (net of £22,000 included in non-underlying)	573	1,199
Disposals	–	(60)
Repayments (net of £308,000 included in non-underlying)	(26,960)	(4,049)
As at 30 April 2021	**24,064**	**42,640**

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2021

36. Alternative performance measures

This Annual Report contains both statutory measures and alternative performance measures. In management's view the underlying performance of the business provides a more meaningful comparison of how the Group's business is managed and measured on a day-to-day basis.

The Group's alternative performance measures and key performance indicators are aligned to the Group's strategy and together are used to measure the performance of the business.

Alternative performance measures are non-GAAP (Generally Accepted Accounting Practice) measures and provide supplementary information to assist with the understanding of the Group's financial results and with the evaluation of operating performance for all the periods presented. Alternative performance measures, however, are not a measure of financial performance under IAS in conformity with the requirements of CA 2006 and should not be considered as a substitute for measures determined in accordance with IAS in conformity with the requirements of CA 2006. As the Group's alternative performance measures are not defined terms under IAS in conformity with the requirements of CA 2006 they may therefore not be comparable with similarly titled measures reported by other companies.

Reconciliations of alternative performance measures to the most directly comparable measures reported in accordance with IAS in conformity with the requirements of CA 2006 are provided below.

a) Underlying EBITDA

Underlying EBITDA is presented as an alternative performance measure to show the underlying operating performance of the Group excluding the effects of depreciation, amortisation and non-underlying items.

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Operating profit	7,390	5,588
Depreciation and amortisation charges (note 11)	7,730	4,276
Non-underlying costs (note 13)	10,288	8,090
Underlying EBITDA	**25,408**	17,954

b) Underlying profit before tax (PBT)

Underlying PBT is presented as an alternative performance measure to show the underlying performance of the Group excluding the effects of amortisation of intangible assets and non-underlying items.

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Profit before tax	5,509	4,058
Amortisation (adjusted for amortisation on computer software)	2,622	1,427
Non-underlying costs (note 13)	10,288	8,090
Non-recurring finance costs	–	41
Underlying profit before tax	**18,419**	13,616

For the year ended 30 April 2020 non-recurring finance costs relate to exit fees and arrangement fees expensed due to the refinancing of the Group during the year and accrued interest on deferred consideration.

c) Underlying profit after tax (PAT) and underlying earnings 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.

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Profit after tax	3,402	1,820
Amortisation (adjusted for amortisation on computer software)	2,622	1,427
Non-underlying operating costs (note 13)	10,288	8,090
Non-recurring finance costs	–	41
Tax in respect of the above	(1,272)	(672)
Underlying profit after tax	**15,040**	10,706

Underlying earnings per share	Pence	Pence
Basic underlying earnings per share	18.30	14.33
Diluted underlying earnings per share	18.07	14.20

Tax has been calculated at the corporation tax rate 19% (2020: 19%) and deferred tax rate of 19% (2020: 19%).

d) 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 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 profit after tax, which is reconciled to profit after tax above.

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Cash generated from operations (note 34)	20,378	13,791
Tax paid	(2,125)	(2,907)
Total cash outflow for IFRS16 leases (non underlying)	(3,741)	(2,366)
Free cashflow	**14,512**	8,518
Underlying profit after tax	15,040	10,706
Cash conversion (%)	**96%**	80%

37. Lease liabilities

Incremental borrowing rates applied to individual leases ranged between 1.70% and 6.49%.

	30 April 2021 £'000	30 April 2020 £'000
Right-of-use assets		
Property	39,420	22,649
Equipment	986	1,100
	40,406	23,749
Lease liability		
> 1 year	39,020	21,078
< 1 year	3,620	2,766
	42,640	23,844

The table below shows lease liabilities maturity analysis – contractual undiscounted cash flows at 30 April 2021.

	30 April 2021			30 April 2020		
	Property £'000	Equipment £'000	Total £'000	Property £'000	Equipment £'000	Total £'000
Less than one year	4,594	349	4,943	3,424	565	3,989
One to five years	18,313	709	19,022	11,015	850	11,865
More than five years	24,834	–	24,834	15,099	–	15,099
	47,741	1,058	48,799	29,538	1,415	30,953

The table below shows amounts recognised in the Statement of Comprehensive Income for short term and low value leases as at 30 April 2021:

	30 April 2021			30 April 2020		
	Property £'000	Equipment £'000	Total £'000	Property £'000	Equipment £'000	Total £'000
Expenses relating to short – term leases	244	47	291	143	18	161
	244	47	291	143	18	161

For right-of-use asset depreciation and lease interest charges on leases please see note 11 and 14.

Total lease payments, including short term and low value leases for the year to 30 April 2021 were £4,340,000 (2020: £2,366,000).

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2021

38. Defined benefit pension schemes

The Stonehams Pension Scheme

The Group operates a defined benefit pension arrangement, the Stonehams Pension Scheme (the "Scheme"). The Scheme provides benefits based on salary and length of service on retirement, leaving service, or death. The following disclosures exclude any allowance for any other pension schemes operated by the Group.

The Scheme was acquired as part of the acquisition of ASB Law where contracts were exchanged on 5 March 2020. Therefore the disclosures below represent the period of ownership from 5 March 2020 to 30 April 2021. The scheme is closed and provides benefits for 43 legacy employees (now pensioners and deferred members).

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Group must agree with the Trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective.

The most recent comprehensive actuarial valuation of the Scheme was carried out as at 31 December 2018. The results of that valuation were updated to 30 April 2021 allowing for cashflows in and out of the Scheme and changes to assumptions over the period.

From January 2020 the Employer started to make annual contributions of £35,000 per annum towards administration expenses. No change in this is expected for the next financial year. Administration expenses from 1 November 2017 to 31 December 2019 have been met directly from the assets of the Scheme. The Group will separately meet the cost of the PPF levy.

The Scheme typically exposes the Group to actuarial risks such as: investment risk, interest rate risk and longevity risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently assets are invested in very low risk funds, which will reduce volatility. The investment approach is reviewed every three years as part of the valuation process.
Interest risk	There is some hedging in the asset portfolio, but at a low level. A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability. The average duration of the Schemes obligations is 16 years.

Explanation of amounts in the financial statements

Actuarial assumptions

Principal actuarial assumptions

	30 April 2021 %	30 April 2020 %
Discount rate	**1.83**	1.58
Retail Prices Index ("RPI") Inflation	**3.53**	2.85
Consumer Price Index ("CPI") Inflation	**2.83**	1.95
Pension increase (LPI 5%)	**3.36**	2.80
Pension increase (LPI 2.5%)	**2.24**	2.03
Post retirement mortality	**90%/100% (m/f) S2PA CMI_2020 projections (with standard smoothing parameter of 7.5) using a long-term improvement rate of 1.0% pa**	90%/100% (m/f) S2PA CMI_2017 projections (with standard smoothing parameter of 7.5) using a long-term improvement rate of 1.0% pa
Commutation	**80% of members are assumed to take the maximum tax free cash possible using current commutation factors**	80% of members are assumed to take the maximum tax free cash possible using current commutation factors
Life expectancy at age 65 of male aged 45	**22.6**	23.6
Life expectancy at age 65 of male aged 65	**24.1**	22.6
Life expectancy at age 65 of female aged 45	**23.5**	25.2
Life expectancy at age 65 of female aged 65	**25.3**	24.1

The average duration of the Schemes obligations is 16 years.

The current asset split is as follows

	Asset allocation at 30 April 2021	Asset allocation at 30 April 2020
Equities and growth assets	**78%**	20%
Bonds, LDI and cash	**22%**	80%

	Value as at 30 April 2021 £'000	Value as at 30 April 2020 £'000
Fair value of assets	**3,255**	3,384
Present value of funded obligations	**(2,791)**	(2,732)
Surplus in scheme	**464**	652
Deferred tax	**–**	–
Net defined benefit surplus after deferred tax	**464**	652

The fair value of the assets can be analysed as follows:

	30 April 2021 £'000	30 April 2020 £'000
Low risk investment funds	**720**	692
Credit Investment funds	**1,673**	1,434
Matching funds	**691**	998
Cash	**171**	260
Fair value of assets	**3,255**	3,384

	30 April 2021 £'000	30 April 2020 £'000
Administration costs	**29**	2
Interest on liabilities	**(10)**	(2)
Total charge to the Statement of Comprehensive Income	**19**	–

Remeasurements over the period since acquisition

	30 April 2021 £'000	30 April 2020 £'000
Loss on assets in excess of interest	**(17)**	(145)
Loss on scheme obligation from assumptions and experience	**(157)**	–
Gain on scheme obligations due to scheme experience	**5**	–
Total remeasurements	**(169)**	(145)

The change in value of assets

	30 April 2021 £'000	30 April 2020 £'000
Fair value of assets	**3,384**	3,534
Interest on assets	**50**	8
Benefits paid	**(133)**	(11)
Administration costs	**(29)**	(2)
Loss on assets in excess of interest	**(17)**	(145)
Fair value of assets	**3,255**	3,384
Actual return on assets	**33**	(137)

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2021

38. Defined benefit pension schemes continued

Change in value of liabilities

	30 April 2021 £'000	30 April 2020 £'000
Value of liabilities	2,732	2,737
Interest cost	40	6
Benefits paid	(133)	(11)
Actuarial gain	152	–
Value of liabilities	2,791	2,732

Sensitivity of the value placed on the liabilities

Approximate effect on liability

	30 April 2021 £'000	30 April 2020 £'000
Discount rate		
Minus 0.50%	229	208
Inflation		
Plus 0.50%	164	161
Life Expectancy		
Plus 1.0 years	113	123

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation rate and mortality. The sensitivity analysis above has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The With Profits Section of the Cheviot pension

Allocation of liabilities between employers

The With Profits Section was acquired as part of the acquisition of ASB Law where contracts were exchanged on 5 March 2020 and the transaction completed on 17th April 2020.

The Trustee has discretion under the contribution rule on how the cost of providing the benefits of the With Profits Section is allocated between employers. The contribution rule applies until the earlier of the discharge of the employer by the Trustee and the termination of the With Profits Section. The Trustee's current policy is not to discharge employers. Employers therefore remain liable under the contribution rule even if their last member dies or transfers out.

The Trustee has been considering how best to ensure all employers bear an appropriate share of the With Profits Section's obligations whilst ensuring fairness between employers and a practical and transparent methodology for the future.

As discussed at the Employers' Meeting on 5 July 2017, the Trustee has decided to fix the allocation between employers on the basis of the promised benefits just before the Section was re-classified in 2014 (the valuation as at 31 December 2013). The allocation to each employer will be expressed as a percentage of the total Scheme liabilities. The intention is to apply this percentage to any funding, buyout or IFRS deficit in the future to calculate any contribution that may be due or any accounting liability.

The estimated percentage in relation to Knights Professional Services Limited is 0.790%.

This approach enables each employer to calculate the extent of their obligation to the Section on the basis of the funding level at any time. Cheviot will publish funding updates on the website: quarterly, on the scheme funding basis, which includes an allowance for future investment returns; and annually, on an estimated buyout basis, which looks at the position should all benefits be secured with an external provider.

Estimated funding position as at 30 April:

	Scheme funding basis	
	30 April 2021 £'000	30 April 2020 £'000
Total assets	92,200	94,400
Total liabilities excluding expenses	(88,600)	(97,200)
Surplus/(deficit)	3,600	(2,800)
Funding level	104%	97%

Allocation to the Group

The estimated share of the Scheme liabilities is 0.790%.

Over the year to 30 April 2021, the Section's funding position improved from a small deficit to a small surplus.

	30 April 2021 £'000	30 April 2020 £'000
Estimated cost of providing benefits	(700)	(768)
Value of assets	728	746
Resulting surplus/(shortfall)	28	(22)
Funding level	104%	97%

The surplus/deficit has not been recognised as management consider this to be temporary and not material.

The Trustee continues to monitor the funding position.

The Trustee reserves the right to withdraw, replace or amend the policy for the allocation between employers in the future.

39. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its other related parties are disclosed below.

KPV Propco Ltd is a company controlled by Mr DA Beech, a person with significant influence over the Group and a member of key management personnel.

The Group leases a property from KPV Propco Ltd. During the year rents of £376,000 (2020: £367,000) were charged by KPV Propco Ltd to the Group. A FRI lease of The Brampton, Newcastle-under-Lyme was granted for a term of 25 years from and including 24 July 2017 to 24 July 2039 at a current rent of £376,000 per annum (excluding VAT).

The Group received a contribution for repair work in the year from KPV Propco Ltd of £26,000 (2020: £nil). These repairs relates to the building and site and were therefore paid by KPV Propco Ltd.

During the year Knights Professional Services Limited charged KPV Propco Ltd for professional services totalling £126,000 (2020: £98,000).

At 30 April 2021, there was an amount of £3,000 owed to the Group from KPV Propco Ltd (2020: £246,000 owed to KPV Propco Ltd by the Group).

During the year Knights Professional Services Limited provided legal services to the Directors in an individual capacity of £154,000 (2020:£nil). At 30 April 2021, there was an amount of £1,000 (2020: £nil) owed to the Group from the Directors which was subsequently settled in line with normal credit terms offered.

Remuneration of key management personnel

The remuneration of the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Short-term employee benefits and social security costs	1,193	1,174
Pension costs	22	23
Share-based payments	209	181
	1,424	1,378

Key management personnel includes Board members and Directors of the Group and the main trading company Knights Professional Services Limited.

Transactions with directors

Dividends totalling £nil (2020: £787,000) were paid in the year in respect of Ordinary Shares held by the Company's Directors.

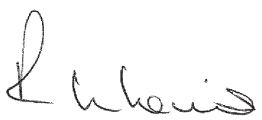
Company Statement of Financial Position

As at 30 April 2021

	Note	30 April 2021 £'000	30 April 2020 £'000
Assets			
Non-current assets			
Investments in subsidiaries	43	**2,363**	1,145
Amounts receivable from subsidiaries	44	**73,210**	69,118
		75,573	70,263
Current assets			
Trade and other receivables		**31**	48
Total assets		**75,604**	70,311
Equity and liabilities			
Equity			
Share capital	45	**165**	164
Share premium	45	**68,369**	66,252
Share based payment reserve	46	**2,364**	1,145
Other reserve	46	**(100)**	(100)
Retained earnings	46	**4,315**	2,565
Equity attributable to owners of the Company		**75,113**	70,026
Current liabilities			
Trade and other payables		**81**	58
Corporation tax liability		**410**	227
Total liabilities		**491**	285
Total equity and liabilities		**75,604**	70,311

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own Statement of Comprehensive Income. The Company reported a profit for the year ended 30 April 2021 of £1,750,000 (2020: £2,957,000).

The financial statements were approved by the Board and authorised for issue on 14 July 2021 and are signed on its behalf by:



Kate Lewis
Director

Registered No. 11290101

Company Statement of Changes in Equity

For the period ended 30 April 2021

	Share capital £'000	Share premium £'000	Share-Based Payments £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 May 2019	147	32,486	356	(100)	1,363	34,252
Profit for the period and total comprehensive income	–	–	–	–	2,957	2,957
Transactions with owners in their capacity as owners:						
Credit to equity for equity-settled share-based payments	–	–	789	–	–	789
Issue of shares	17	33,766	–	–	–	33,783
Dividends paid	–	–	–	–	(1,755)	(1,755)
At 30 April 2020	164	66,252	1,145	(100)	2,565	70,026
Profit for the period and total comprehensive income	**–**	**–**	**–**	**–**	**1,750**	**1,750**
Transactions with owners in their capacity as owners:						
Credit to equity for equity-settled share-based payments	**–**	**–**	**1,219**	**–**	**–**	**1,219**
Issue of shares	**1**	**2,117**	**–**	**–**	**–**	**2,118**
Balance at 30 April 2021	**165**	**68,369**	**2,364**	**(100)**	**4,315**	**75,113**

Notes to the Company Financial Statements

40. Accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except as noted below.

Investments in subsidiaries

Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment.

On 18 June 2018, the whole of the share capital of Knights 1759 Limited was acquired by the Company via a share for share exchange agreement. This was a Group reorganisation satisfying the criteria of IAS 27:13. The investment cost is measured at £nil because the carrying amount of the equity items shown in the separate financial statements of Knights 1759 Limited was negative at the date of the reorganisation.

Investments in subsidiaries includes capital contributions to subsidiaries as a result of the issue of equity-settled share-based payments to employees of subsidiaries. The accounting policy for share-based payments is set out in note 2.14 to the consolidated financial statements.

41. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 40, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no major accounting judgements or key sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities within the next financial year.

42. Profit for the year

As permitted by s408 of the Companies Act 2006, no separate Statement of Comprehensive Income is presented in respect of the parent Company. The profit attributable to the Company is disclosed in the footnote to the Company's Statement of Financial Position.

The auditor's remuneration for audit and other services is disclosed in note 15 to the consolidated financial statements.

The average monthly number of employees comprised of the Executive Directors and Non-Executive Directors and was 6 (2020: 6). Their aggregate remuneration borne by the Company was £nil (2020: £nil).

The Directors' emoluments are disclosed in note 8 to the consolidated financial statements.

43. Investments in subsidiaries

	£'000
Cost and net book value	
At 30 April 2019	356
Capital contribution in respect of equity-settled share-based payments	789
At 30 April 2020	1,145
Capital contribution in respect of equity-settled share-based payments	1,219
At 30 April 2021	**2,364**

Further information about share-based payment transactions is provided in note 9 to the consolidated financial statements.

Details of the Company's subsidiaries at 30 April 2021 are as follows:

Name	Place of business and registered office address	Principal activity	Class of shares	Proportion of ownership interest %	Proportion of voting power held %
Knights 1759 Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Holding company	Ordinary	100%*	100%*
Knights Professional Services Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Provision of legal and professional services	Ordinary	100%	100%
Turner Parkinson LLP	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant**	N/A	99.99%	99.99%
Spearing Waite LLP	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant**	N/A	99.99%	99.99%
Darbys Solicitors LLP	Midland House West Way, Botley, Oxford, OX2 0PH	Dormant**	N/A	99.99%	99.99%
Knights Solicitors LLP	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	100%	100%
Cummins Solicitors Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant**	Ordinary	100%	100%
BrookStreet des Roches LLP	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Business Support Services	N/A	99.99%	99.99%
K&S Secretaries Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Knights Trustee Company No 1 Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Knights Trustee Company No 2 Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
K&S Directors Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Turner Parkinson Nominees Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
K&S (Nominees) Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
K&S (560) Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%***
Charden Enterprises Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%***
Four Below Zero Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%***
Endzin Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%***
DDB Consulting Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%***
Wingelock Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%***
ASB Aspire LLP	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
ASB Law LLP	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Edward Cursham Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Patrick Wood Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Gavin White Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%

Notes to the Company Financial Statements continued

43. Investments in subsidiaries continued

Name	Place of business and registered office address	Principal activity	Class of shares	Proportion of ownership interest %	Proportion of voting power held %
Donald Peel Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Christopher Barnes Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Richard Wollacott Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Thomas Gray Law Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
John Tansur Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Wendy Hooley Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Adrian Slater Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Laura Mackin Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Anthony J Ogley Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Erin Vickers Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Fiona Boswell Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Clive Day Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Edward Capes Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
ERT Law Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Arthur Chapman Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	A Ordinary	100%	100%
Simon Leighton Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	A Ordinary and B Ordinary	100%	100%
Bob Agnew Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	A Ordinary	100%	100%
Croftons Solicitors LLP	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	100%	100%
Croftons Legal Services Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Dakeyne Emms Gilmour Liberson Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	D Ordinary E Ordinary G Ordinary L Ordinary	100%	100%
Shulmans LLP	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	99.9%	99.9%
SLS Trust Corporation Limited	C/O Shulmans LLP, 10 Wellington Place, Leeds, England, LS1 4AP	Dormant	Ordinary	100%	100%
OTB Eveling LLP*	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	100%****	100%

Name	Place of business and registered office address	Principal activity	Class of shares	Proportion of ownership interest %	Proportion of voting power held %
Mundays LLP*	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	100%****	100%
Mundays Trustee Services Limited*	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	100%	100%
Munday Company Secretaries Limited*	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	100%	100%
Knights Wealth Management Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%

* Held directly by Knights Professional Services Limited.

** The acquired entities were active during the financial year, but are dormant as at 30 April 2021.

*** Legal title held on behalf of nominees.

****Indirect ownership through each of the direct parent companies, being Knights Professional Services Limited and K&S Directors Limited.

44. Amounts receivables from subsidiaries

	30 April 2021 £'000	30 April 2020 £'000
Amounts receivable from subsidiaries	**73,210**	69,118

Amounts receivable from subsidiaries are repayable on demand. Interest is charged at a rate of 3.5% per annum and is payable annually on 30 April each year. Unpaid interest on 30 April each year is added to the principal of the loan.

The balances are considered recoverable from the future cash flows of profitable trading subsidiaries. They are classified as non-current assets because they are not expected to be realised within 12 months of the reporting period.

The Company measures the loss allowance for intra-Group receivables at lifetime expected credit losses ('ECL'). The ECL is estimated using a probability-weighted analysis of all possible outcomes with reference to the debtors' financial position and forecasts of future economic conditions. The resultant estimated ECL is not considered material to the financial statements, therefore the Company has recognised a loss allowance of £nil (2020: £nil) against amounts receivable from subsidiaries.

45. Share capital and share premium account

The movements on these items are disclosed in notes 24 and 25 to the consolidated financial statements.

46. Reserves

The Share-Based Payment Reserve is a non-distributable reserve representing the total credits to equity in respect of equity-settled share-based payment charges recognised as capital contributions within investments.

The Other Reserve arose as a result of applying the requirements of IAS 27:13 to the share-for-share exchange acquisition of Knights 1759 Limited because the total equity of Knights 1759 Limited was less than the nominal value of the shares issued by the Company as consideration.

Retained Earnings represents cumulative profits and losses of the Company net of distributions to members.

Glossary of Terms

Financial Performance Measure

This document contains certain financial measures that are not defined or separately recognised under IFRS. These measures are used by the Board and other users of the accounts to evaluate the Group's underlying trading performance excluding the impact of any non-recurring items and items that do not reflect the underlying day-to-day trading of the Group. These measures are not audited and are not standard measures of financial performance under IFRS. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. Accordingly, these measures should be viewed as supplemental to, not as a substitute for, the financial measures calculated under IFRS.

Underlying EBITDA

Underlying EBITDA is presented as an alternative performance measure to show the underlying operating performance of the Group excluding the effects of depreciation, amortisation, and non-underlying items.

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Operating profit	7,390	5,588
Depreciation and amortisation charges	7,730	4,276
Non-underlying costs (note 13)	10,288	8,090
Underlying EBITDA	25,408	17,954

Underlying Profit Before Tax (PBT)

Underlying PBT is presented as an alternative performance measure to show the underlying performance of the Group excluding the effects of amortisation of acquired intangible assets, and non-underlying items.

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Profit before tax	5,509	4,058
Amortisation of acquired intangibles	2,622	1,427
Non-underlying costs	10,288	8,090
Effective interest on deferred consideration	-	41
Underlying profit before tax	18,419	13,616

Underlying Operating profit to Underlying Profit Before Tax (PBT)

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Operating profit before non-underlying charges	17,678	13,678
Less: Finance costs	(1,881)	(1,489)
Add: Amortisation of acquired intangibles	2,622	1,427
Underlying PBT	18,419	13,616

Non-recurring finance costs

Non recurring finance costs relate to interest on deferred consideration payable as part of the consideration on acquisitions.

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Interest on deferred consideration	-	41
Non-recurring finance costs	-	41

Underlying Profit After Tax (PAT) and Underlying Earnings per Share (EPS)

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

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Profit after tax	3,402	1,820
Amortisation of acquired intangibles	2,622	1,427
Non-underlying operating costs	10,288	8,090
Effective interest on deferred consideration	-	41
Tax in respect of the above	(1,272)	(672)
Underlying profit after tax	15,040	10,706
Underlying earnings per share	Pence	Pence
Basic underlying earnings per share	18.30	14.33
Diluted underlying earnings per share	18.07	14.20

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 into free cash flows. Free cash flow is calculated as the total of net cash from operating activities, tax paid and cash outflows for IFRS 16 leases. Cash conversion % is calculated by dividing free cash flow by underlying profit after tax, which is reconciled to profit after tax above.

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Cash generated from operations (note 34)	20,378	13,791
Tax paid	(2,125)	(2,907)
Total cash outflow for IFRS 16 leases	(3,741)	(2,366)
Free cash flow	14,512	8,518
Underlying profit after tax	15,040	10,706
Cash conversion (%)	96%	80%

Working Capital

Working capital is calculated as:

	30 April 2021 £'000	30 April 2020 £'000
Current assets		
Contract assets	28,530	21,507
Trade and other receivables	31,521	27,046
Total current assets	60,051	48,553
Current liabilities		
Trade and other payables	32,303	20,019
Overdraft included in payables	(1,852)	-
Contract liabilities	216	177
Corporation tax liability	765	675
	31,432	20,871
Net working capital	28,619	27,682

Other Definitions

Colleague/Talent Retention/Employee Turnover

Churn is calculated based on the number of qualified fee earners who had been employed by the Group for more than one year. Churn is calculated taking the number of leavers in the above group over the financial year as a percentage of the average number of colleagues for the year. Retention is 100% less the churn rate.

Fee Earner Concentration

This is calculated taking the largest fees allocated to an individual fee earner as a percentage of the total turnover for the year and demonstrates the Group's reliance on the fee earning potential of an individual fee earner.

Client Concentration

On an individual basis this is calculated as the percentage of total turnover for the financial year that arises from fees of the largest client. For the top 10 client concentration calculation this takes the fee income from the 10 largest clients for the year as a percentage of the total turnover for the year.

Client Satisfaction

Net Promoter Score (NPS) measures the loyalty of a client to a company and can be used to gauge client satisfaction. NPS scores are measured with a single question survey and reported with a number from -100 to +100, the higher the score, the higher the client loyalty/satisfaction.

Colleague Satisfaction

Employee Net Promoter Score (ENPS) measures the loyalty of employees to a company and how likely they are to recommend their employer as a place to work, which can also be used to gauge employee satisfaction. ENPS scores are measured with a single question survey and reported with a number from -100 to +100, the higher the score the higher the employee loyalty.

Fee Earners

When referring to the number of fee earners in the Group we include all individuals working in the Group on a mainly fee earning basis. This includes professionals (legal and non-legal) of all levels including paralegals, trainees and legal assistants. When referring to the number of fee earners in the business this will refer to the absolute number of individuals working in the Group. When using the number of fee earners to calculate the average fees or profit per fee earner or the ratio of fee earners to support staff these calculations are based on the number of full-time equivalent (FTE) individuals to reflect that a number of individuals choose to work on a part-time basis.

Non-Fee Earners/Support Staff

This includes all employees that are not fee earning.

Recurring Revenue

This is calculated based on the amount of revenue in a year that reoccurs in the following year from the same clients.

Lock Up

This 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 the total fees raised over prior months. WIP (work in progress) days are calculated based on the gross work in progress (excluding that relating to clinical negligence claims) and calculating how many days billing this relates to based on average fees (again excluding clinical negligence fees) per month, for the last 3 months. Lock up excludes the impact of acquisitions in the last quarter of the financial year.

Total Shareholder Return (TSR)

Total shareholder return is calculated as:

Share price at 30 April 2021 £4.450

Share price at listing (£1.450)

Dividend paid in period £0.00

Gain on shares in period £0.875

As a percentage of opening price 24.5%.

Shareholder Information

Directors

DA Beech (appointed 4 April 2018)
KL Lewis (appointed 9 May 2018)
RA King (appointed 1 June 2018)
BS Johal (appointed 1 June 2018)
G Davies (appointed 17 March 2021)
J Pateman (appointed 14 January 2019)

Secretary

L Bridgwood (appointed 1 June 2018)

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Registered number

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Notes

Notes

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