Knights is unique in the UK legal and professional services sector and we are redefining our industry.

Continuing to increase our geographical coverage and build the scale of our operations, we have become one of the largest collaborative professional services teams in the UK through our strong culture and corporatised model, meaning Knights is now increasingly becoming recognised as the business of choice for more clients and professionals.

Pioneers for a new type of professional services business; we operate a unique and proven model which has created a strong and resilient platform for growth. We continue to make good progress against our vision of leading the regional market in the UK, consistently delivering high quality services to our clients across an ever-increasing range of services and sectors.

More than 1,100 professionals now work as one team offering a distinctive blend of local knowledge aligned with national capability and presence to deliver a premium client experience.

Expanding our Leadership Team and increasing our regional presence.

Knights has continued to grow this year, welcoming more new colleagues and outstanding businesses attracted by our culture and purpose whilst also further adding to our leadership team. Our commitment to integration and on-boarding reflects our belief that it is our people who are key to the success of our business.

We recognise that our continued success and growth is underpinned by our teams being together and connected across the whole business, and through having high levels of engagement with our leadership team. Our Client Services Directors, working alongside our established team of Operations Directors, bring a unique combination of strong, invested and highly engaged local and regional leadership working together as one national team with a shared vision and purpose.

Our business model continues to show resilience across the economic cycle, providing a strong platform for further geographical and organic growth driven by our experienced leadership team.

> We believe that business is about people and relationships.

Strategic Report

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Financial highlights

In a year of solid progress, the Group has continued to deliver good revenue growth and excellent cash conversion with lower than expected year-end net debt.

Revenue
£142.1m
+13% (2022: £125.6m)

Underlying PBT*
£21.6m
(2022: £18.1m)

Reported PBT
£11.5m
(2022: £1.1m)

Post tax profit/(loss)
£7.9m
(2022: £(2.5)m)

Net debt
£29.2m
(2022: £28.9m)

Underlying EPS*
20.20p
(2022: 17.23p)

Reported EPS
9.28p
(2022: 3.02p loss)

Cash conversion*
117%
(2022: 109%)

Dividend per share
4.03p
(2022: 3.50p)

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 with a clear understanding of the underlying profitability and cash generation of the business over time. Full definitions and explanations of these measures and reconciliations to the most directly referenceable IFRS line item are provided on pages 146 - 149.

At a glance

Knights has continued to grow and has become a leading legal and professional services business in the UK, with over 1,100 fee earning professionals operating from 23 office locations across the UK.

Who we are

Our unique culture and early adoption of a corporate structure in 2012 has enabled Knights to become one of the largest collaborative legal and professional services teams in the UK.

A commitment to not having individual or location-based financial targets, together with centralised management and strong local leadership has created a business in which more than 1,100 professionals work together seamlessly as one team delivering high quality services to clients across each of our locations.

Our pioneering approach has created an open, transformational and resilient business which celebrates human interaction and values, personal services and a premium, tailored experience for our clients. By working together as a single team using highly developed internal systems, we deliver excellence and value with speed and high levels of engagement and communication.

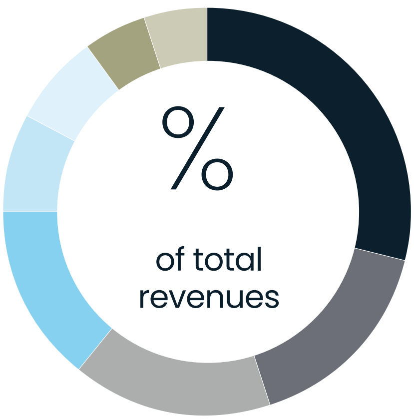
What we do

Our business model and one team culture provide a platform to deliver multiple services to business clients ranging from local and regional small and medium enterprises to national and international companies alongside premium advisory services to private individuals.

Who we work with

We have longstanding relationships with a wide range of business and individual clients. Together with an established and diverse client base, our national presence and coverage means we have strong local and regional market knowledge and connections, providing greater opportunity for market penetration and growth.

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



Real Estate

29%

All contentious and non-contentious matters across the real estate lifecycle from town planning to asset management.

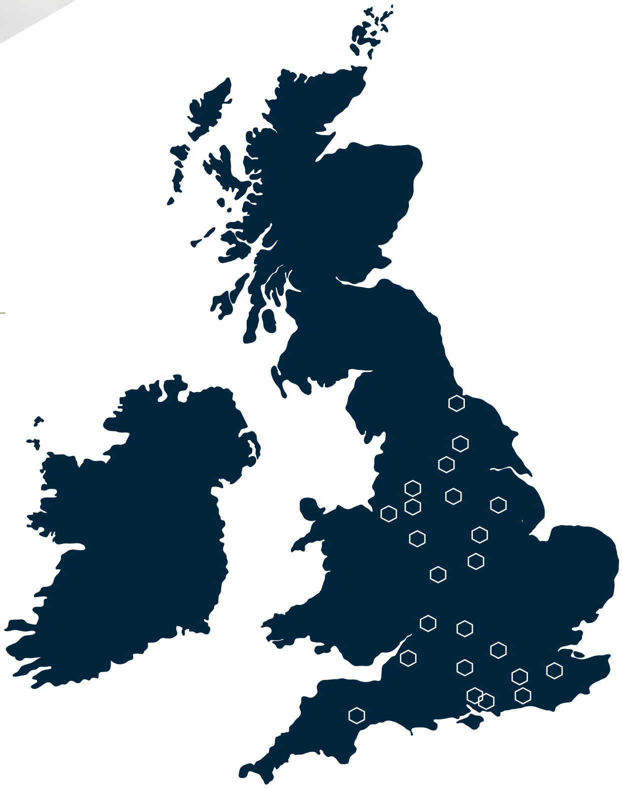
Dispute Resolution

16%

Managing disputes across the full spectrum of services.

Where we are

During the year we operated from 23 regional locations each having an established client base and strong local market knowledge and connections.



Private Wealth

16%

Providing a full range of premium personal services to our individual clients.

Corporate and commercial

14%

Transactional and commercial business advice on all operational activities across a highly diversified client base.

CL Medilaw

8%

Our national team of clinical negligence and serious injury specialists.

Residential Property

7%

Advising on all types of transactions involving a private residence across our Residential Property, Plot Sales and New Homes teams.

Integrar

5%

Our specialist business delivering re-mortgage services to lending institutions and intermediaries.

Employment

5%

Providing strategic HR advice on a range of contentious and non-contentious issues across a variety of sectors.

Investment case

A diversified, premium provider of legal and professional services with national scale.

Increasingly unique in the sector, Knights brings an unrivalled breadth of consistently high quality services to multiple regional markets.

Premium service from a competitive cost base

We focus on regional markets throughout the UK where we can become the leading business in our sector.

Increased scale and a growing reputation continue to build our credibility and status as a truly national premium professional services business, meaning we are increasingly the business of choice for clients seeking excellence and regional professionals seeking a unique and pioneering platform within our industry from which they can deliver excellence.

Operating from regional locations with lower competition in our market reduces cost pressure, resulting in greater value for our clients. It also creates a better work-life balance and reduces commuting time for our colleagues.

Our established team of Client Services Directors working alongside our Operations Directors provides engaged and present local leadership while maintaining and promoting consistency of approach and a strong one-team culture.

Our fee earner to non-fee earner ratio is above market average, as a result of our simple but effective systems and operating model enabling our professionals to work on-line and independently and without dedicated secretarial support.

Professional advisors with a commercial mindset

Our industry-leading working capital management is facilitated by Knights' culture and training of professionals on financial management, supported by technology, actionable analytics and Client Services Directors who provide a continued focus on revenue generation and cashflow.

Practitioners focus on client service while experienced managers run the business. Our professionals focus on delivering work and generating revenue without the distractions of running the business, which is executed by an experienced, agile and longstanding leadership team which continues to grow with the business.

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

A Scalable Model

We continue to strengthen our position in a fragmented regional UK market worth £3.6bn, building on a strong base to grow organically, complemented by carefully selected strategic acquisitions.

A proven, mature and compelling platform for legal and other professionals who are attracted by the freedom from the constraints and ownership risk associated with partnership structures, together with security and unrestricted career development opportunities.

Culture, market and ever-increasing geographical coverage drives organic recruitment of more talented professionals attracted by the opportunity to be equipped and empowered to target and secure high quality regional work.

Track record of unlocking value from acquisitions. Supported by our experienced integration team, acquired businesses are fully integrated into our business and our systems and processes generally within three months and are fully cultural integrated within 12 months of acquisition.

Investment in our operational backbone, including technology, provides an optimised and scalable platform for future growth, with fixed costs diluted as we grow.

This year we have entered five new locations through the acquisitions of Coffin Mew and Meade King, adding to our existing platform for organic growth and recruitment.

Underlying profit before tax*

£21.6m

Profitable growth
(2022: £18.1m)

Fee earner: Non-fee earner ratio

3.9:1

Robust platform for growth
(2022: 3.5:1)

Working capital lockup days*

87 days

Highly cash generative
(2022: 86 days)

* See Glossary on pages 146 - 149.

A strong track record in a highly attractive market

Chairman's statement

I am pleased to introduce Knights' 2023 Annual Report.

Since Knights moved to a corporate structure in 2012, we have expanded the business considerably, growing from two offices to become a business with a national presence. During that time, our organic growth has been complemented by over 20 acquisitions of quality independent legal and professional services businesses, which have expanded Knights' geographical reach and range of services and expertise, cementing our position as a leading provider across the country.

Knights' unique model was born of recognition of the fact that regional professionals can provide 'City' calibre services without relocating to London to do so, bringing benefits to our clients, people and communities. We have continued to support and develop this model by investing in technology systems and capability, facilitating more seamless integration, collaboration and greater efficiency.

A highly commercial approach, established early on, is now deeply embedded across the Group, instated and maintained across our offices by our highly effective and experienced Client Services Directors, many of whom have now been with the business for a number of years. This team, which has expanded during the year, focus on delivering operational improvements and productivity, creating the base for future organic growth the benefits of which are expected to be realised incrementally in the current financial year.

Knights has grown to become one of the largest fully collaborative legal and professional services businesses in the UK, employing 1,464 colleagues, including 1,165 fee earning professionals at the end of the financial year.

This journey has not been without its challenges and I am proud of what we have achieved, which is testament to the hard work of all our people. Knights' strategy, reputation, unique model based on a 'one-team' culture across all our offices, together with the tireless drive and focus of an experienced and talented management team, have underpinned this growth.

Against an unsettled backdrop in FY23, which was characterised by the residual challenges of the pandemic, followed by the macroeconomic uncertainty and steeply rising interest rates prompted by the mini-budget weighing on broader business sentiment, the Group delivered a solid performance. Revenue was up 13.1% on the prior year to £142.1m, driven by contributions from acquisitions completed in the financial year and the full year effect of prior year acquisitions.

The ever-increasing calibre of our national, and now international, client base now includes names such as Marie Curie and World Rugby, both of whom became clients during the year following our strategic focus on attracting such companies. This continued evolution of our client base reflects Knights' strong market positioning, quality offering and reputation among large corporate businesses alongside our core regional client base.

Strategy

Knights' strategy has provided good resilience in challenging economic conditions, due to its increasingly diverse service offering and ever-widening range of clients. I am confident that the Group has the right approach and vision in place to deliver results for its stakeholders.

Our growth has further enhanced our ability to attract high quality professionals, including from leading law firms and other professions. Additionally, in the uncertainty currently prevailing, our unique model is increasingly attractive for many compared with higher risk equity based businesses, encouraging more individuals to choose a career with Knights.

This year, we continued to scale the business in a considered way. While we remain focussed on optimising and building our Group to deliver organic growth, acquisitions remain a key component of Knights' overall growth strategy. We added two high quality firms during the year, Coffin Mew LLP and Meade King LLP, both of which are closely aligned culturally and strategically with our goals, taking us into new key regional locations. We also successfully integrated prior year acquisitions, strengthening our presence in regions where we already operate. These acquisitions provide a platform for future organic growth and complement the existing business, in terms of culture, service offering and geographical coverage.

While the macroeconomic outlook is expected to remain uncertain into FY24, we believe that, as well as supporting recruitment momentum, this will also present further acquisition opportunities for the Group.

ESG

Over the year, we have maintained our focus on ESG priorities, and it is pleasing to report that we not only continue to make good progress against our commitments but have also added new objectives, including targeting net-zero in our own operations and across our entire value chain by 2050.

We go to great lengths to ensure we remain respectful of the world around us, and that our business has a positive impact – on the environment, and also within the communities in which we operate.

We continue to make our offices, and the way in which they operate, more energy efficient as part of the ongoing optimisation of our real estate portfolio, focusing on modernisation, right-sizing and off-loading excess space. We are pleased to be announcing a new set of targets focused on reducing energy usage and increasing support to our local communities through our 4 Our Community programme, full details of which can be found on page 36 of our Annual Report.

We have a good gender balance across the business. Our Board is 60% female, and 43% of our Partners are female. Looking at the business more broadly, 66% of our fee earning professionals are female.

Dividend

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

The Board is this year proposing a final dividend of 2.50p, which, together with the interim dividend of 1.53p per share gives a total dividend for the year of 4.03p (FY22: 3.50p), an increase of 15%. The dividend will be payable on 29 September 2023 to shareholders on the register at 1 September 2023, subject to shareholder approval at the Group's AGM.

Summary

I am proud of what has been achieved by the business. Driven by a passionate and experienced management team and guided by a sound strategy, the resilience of our unique model has enabled the Group to successfully navigate recent challenges while continuing to develop its strong platform. This year has been no exception, with clear progress being delivered against our strategy and positioning the Group well to deliver organic revenue growth in the current financial year.

Bal Johal
Non-Executive Chairman
7 July 2023

Revenue

£142.1m

+13.1% (2022: £125.6m)

Underlying PBT

£21.6m

(2022: £18.1m)

For all financial information see Financial Review on pages 52 - 27 and definitions in glossary on pages 146 - 149.

Chief executive's review

"We have now become one of the largest, fully collaborative legal and professional services groups in the country.

It has been an important year of solid progress for Knights, during which we placed a particular focus on strengthening our management team and developing our operating model to support the execution of our strategy and accelerate the future growth of our business.

By continuing to scale the business, establishing and bolstering our presence in key markets across the UK, we have now become one of the largest, fully collaborative legal and professional services groups in the country. The evolution of and investment in our organisational structure, reflected in the continued expansion of our team of Client Services Directors, is driving operational and productivity improvements across the Group, the benefits of which are expected to be realised in the new financial year and beyond.

Recognition of our size and ever-growing reputation as a premium provider of professional services, together with our unique collaborative culture, has underpinned our ability to recruit and retain high quality professionals, including senior executives responsible for driving and implementing operational excellence.

The execution of our strategy means that, with further acquisitions made in the current year, Knights now spans the country. It has a broad client base which continues to grow and now includes, not only blue-chip clients in the UK, but also an increasing number of significant international companies, all of whom value the Group's extensive capabilities, collaborative ethos and high-quality service.

A resilient performance against a challenging backdrop

During the year, challenges associated with the COVID-19 pandemic gave way to those associated with macroeconomic uncertainty, rising interest rates, and the subsequent impact on business confidence.

Despite this backdrop, we delivered profitable, cash generative growth, with total revenue up 13.1% to £142.1m, as the legal services market outside London, and our diversified services offering and client base, provided a good level of resilience complemented by contributions from recent acquisitions. From a flat organic growth rate in FY23, we have put in place the building blocks for organic growth to improve incrementally as we move through the current financial year, through a combination of pricing, productivity, net recruitment and client wins.

Revenue increase

13.1%

(2022: 21.7%)

Acquisitions in FY23

£8.8m

Contribution to revenue

Underlying PBT* margin

15.2%

(2022: 14.4%)

Client satisfaction

+64

Net Promoter Score*

In the year, an additional two Client Services Directors joined an already strong and established team, a role which is instrumental in driving strategic progress, embedding our 'one team' culture, and delivering performance across the Group through highly engaged and present leadership in each of our offices. Our Client Services Directors have now been with us for an average tenure of more than three years, with six having been with the Group for over five years, meaning that we have real strength in the depth of their collective experience in the business. An example of the success of this team in embedding Knights' commercially driven approach and focus on cash management is in the Group's market-leading working capital performance, with debtor days* of just 30 in FY23 (FY22: 31 days), significantly less than the industry average of 66 days (Source: PWC Law Firms Survey 2022. They have also been instrumental in driving the larger new business wins we have secured in recent months.

Andrew Pilkington, previously Group Client Services Director, has now been appointed as COO, a natural step up which reflects his strong track record in delivering progress. His appointment also enables us to bring our operational and client service teams, who will all work closely with Andrew, closer together creating greater alignment and supporting enhanced performance across the business.

Building on his experience of identifying, delivering and integrating acquisitions to date, James Sheridan has become our Group M&A Director, overseeing the execution of our acquisition strategy, including the early introduction of Knights' working practices to maximise the organic growth we can achieve from newly acquired businesses.

* See Glossary on pages 146 - 149.

Chief executive's review continued

Knights is committed to talent acquisition and retention and we fully recognise the value of our people as the bedrock of the Group. We had an average of 1,077 full time equivalent fee earning professionals during the year (FY22: 1,015).

As previously announced, during the year, we experienced higher churn than expected in one of the Group's 2020 acquisitions. In addition, the recruitment market was particularly competitive during calendar year 2022 following the re-opening of the market post-COVID, a period that became widely known as the 'great resignation' across many sectors, including our own. We are pleased that this higher level of churn has now moderated in the office in question and we are now seeing good future growth opportunities both in that office and across the business.

Furthermore, we have seen a significant uplift in the hiring of high calibre professionals since the start of calendar year 2023, with eight partners already hired in FY24 (compared to 13 for the whole of FY23), reflecting the attractiveness of our secure corporate model in a macro environment where people have become more alert to the financial risk associated with partnership-based models. We have also been delighted to welcome back 17 people who have returned to Knights since the beginning of the last financial year, following a period at other firms, many of whom have wanted to be part of a team with a greater office presence.

Most of our people have now returned to working in our network of offices. Knights' presence across the UK means that many of our people live within a short commute of a Knights office, supporting a healthier work-life balance. Our culture and collaborative way of working are most powerful when our people are together, exchanging ideas and supporting each other, which in turn drives more opportunity for our people, and better outcomes for our clients.

We remain committed to making carefully considered acquisitions which align with our strategy and culture and which provide a platform from which to build future organic growth.

During the year, we acquired two high quality, independent and well-established regional law firms, Coffin Mew LLP and Meade King LLP, both of which are integrating and performing well, further expanding our reach in the South and South West and adding c.100 fee earning professionals to the Group. The acquisitions demonstrate the Group's attractiveness to businesses and professionals seeking to be part of a larger Group with national scale and a premium reputation, without the financial risk of equity partnerships.

The Group's enhanced size, capability and reputation for delivering high quality work has also resulted in some clear success with our new large corporate client focus, such that we have won a number of significant new UK, European and US clients including World Rugby, Marie Curie, EuroFinance and TTI Inc, a Berkshire Hathaway company, which we expect will aid the Group's organic growth as we move through the current financial year. These wins resulted from a number of dedicated initiatives, including raising awareness of the quality and breadth of our service offering, combined with the cost benefits of a regional base, through European roadshows. The range and level of services we deliver to our existing large corporate clients also continues to increase.

In addition, we are benefitting from the resilience afforded by the Group's diversity of services, with momentum building in non-cyclical offerings including private wealth and clinical negligence. Our continued focus on and commitment to being the premium provider of legal and professional services in all our sectors and locations continues to build momentum and underpins our confidence in pricing appropriately for the quality of service and value we deliver.

A considered approach to acquisitions

The regional legal services market remains fragmented, and Knights has a strong track record of unlocking value from the acquisition of high-quality regional firms constrained by their ownership model and other barriers to growth.

As economic challenges in the UK persist, many legal professionals and firms are looking for an alternative to the higher-risk traditional equity partnership model and to be part of a larger, more diversified Group.

We know it is important to integrate such businesses properly and quickly, and so remain considered in our approach to acquisitions, seeking businesses which share a similar culture with Knights and which have clear potential to facilitate future organic growth. We are well-placed to capitalise on our exciting pipeline of acquisition opportunities and compelling valuations as they arise, given the significant headroom available in our revolving credit facility.

Enhanced presence in Yorkshire, the North East and the East of England

During the year, we successfully integrated and developed the businesses we acquired the previous year, Keebles LLP, Archers Law LLP and Langleys LLP, resulting in an enhanced presence in Yorkshire, the North East (one of the largest markets for legal and professional services in the UK) and the East of England.

All are performing as anticipated, with no unexpected attrition of people or clients.

New entry into key markets in the South and South West

We strengthened our presence in the South of England, an attractive growth market for our services, with the acquisition of Coffin Mew LLP and Meade King LLP.

The acquisition of Coffin Mew provided entry into Portsmouth, Southampton, Brighton and Newbury, significantly expanding Knights' presence in the South. Meade King facilitated our entry into Bristol, the regional financial centre of the South West, complementing Knights' existing Exeter office. Both acquisitions are integrating well.

Continued momentum with acquisitions strengthening our presence in the North

This momentum continued into the current financial year, with two further acquisitions announced post year end.

St James' Square brings to the Group an independent full service commercial law firm based in Newcastle, and Baines Wilson LLP brings one of the leading independent law firms in the North West, offering Corporate, Real Estate, Dispute Resolution and Employment services. The acquisitions demonstrate our ability to identify opportunities to welcome new businesses to the Group at attractive valuations in the current environment.

Both acquisitions align with Knights' strategy to bolster its future organic growth through selective, considered acquisitions. They provide access to new important regional markets and platforms for further growth through the recruitment of local professionals and potential further bolt-on acquisitions.

Following these acquisitions, Knights now has five offices in the North West and two offices in the North East of England, which alongside Knights' three existing offices in Yorkshire, significantly strengthens the Group's presence and brand reputation across the region.

ESG

Throughout the year we continued to evolve our ESG strategy focused on building a responsible and sustainable business for all our stakeholders, continuously reviewing and developing our commitments and targets. Highlights include investment in our Employer Value Proposition, an important and valuable exercise in capturing our purpose, values and culture following our rapid growth, and the continued success of our '4 Our Community' scheme, which sits at the heart of our various national and local community-based initiatives. Although we are a low impact, low carbon intensive business, we are committed to reducing emissions and ensuring efficient use of all our resources.

Current trading and outlook

There has been a solid start to the current year as we navigate the continuing macroeconomic uncertainty and rising interest rates, with growth in less cyclical areas, new client wins and an increase in recruitment activity.

We are confident of a return to organic growth in FY24 as we realise the benefits of:

- our pricing strategy, with rate increases from 1 May 2023
- recruitment momentum, with eight partners hired already in FY24 (total for FY23: 13)
- recent client wins including EuroFinance, World Rugby, Marie Curie and TTI Inc., demonstrating the success of our large, and international, corporate client initiatives
- good early organic recruitment into recently acquired locations, particularly Bristol, Newcastle and Brighton
- strong momentum in non-cyclical services such as private wealth and clinical negligence

We are also seeing a more favourable market for attracting professionals as well as acquisition opportunities and valuations.

Given the sharp rises in interest rates as we started the current financial year, we are seeing a softening of work in some transactional and debt-reliant activity such as Residential Property, M&A, and our volume re-mortgage business, Integrar.

However, this is being mitigated by a combination of growth in other areas which are less cyclical, such as Private Wealth and CL Medilaw (our specialist clinical negligence team) new client wins and our pricing strategy.

As we move through the year, we expect to benefit incrementally from recent positive recruitment momentum, a heightened focus on growth and business development and the strengthening of our operational management.

We will continue carefully to consider acquisition opportunities which will consolidate or expand our existing footprint and provide a strong platform for future organic growth.

Our outlook for the current financial year is therefore unchanged, with recent recruitment expected to drive a second half weighting, and we remain confident in our strategy and our ability to deliver profitable, cash generative growth. We will continue to leverage our position as one of the largest commercial law firms located outside London, to grow our client and fee earner base organically and to drive operational improvements, complemented by acquisitive growth.

David Beech

Chief Executive Officer
7 July 2023

Market opportunity

The UK legal services market continues to demonstrate resilience in a challenging and ever-evolving operating environment.

The UK legal services market continues to perform ahead of expectations in an operating environment which remains challenging with macroeconomic uncertainty following the COVID pandemic. The sector has again had to respond to challenges over working habits and arrangements, higher operating costs, increased regulation, changes in buying patterns, and access to funding.

Embracing change and innovation presents opportunity

The UK legal services market is becoming increasingly diverse with large law firms, operating predominantly from London and internationally, at one end of the spectrum and high street or medium-sized independent firms at the other. Many are still operating under a traditional partnership or quasi-partnership structure, restricting their ability to be nimble and adapt quickly to change.

The evolution of the sector will continue to accelerate, with more firms likely to become stressed, turning to consolidation out of necessity rather than choice – compounding this polarisation and providing new opportunities to agile responders. 70% of regional firms expect significant consolidation in the UK legal services market within the next five years. Knights is well-positioned to thrive in times of change, responding to challenges with rapid decision-making through its well-established corporate structure.

This agility underpins Knights' growth ambitions enabling us to invest and grow at speed. In our addressable market for potential acquisitions, there are c.200 firms operating regionally with annual revenues of £2m-£75m with total aggregate revenues of £3.6bn.

Increasing and changing demand

Although market growth is currently dampened by the economic environment, the annual turnover of the entire UK legal services market is expected to show annual growth of between 2% and 3% in real terms over the next five years*, primarily driven by the corporate and commercial sector.

Key drivers of change are national and international business environments, how legal services are procured and delivered, and continued developments of technology and processes, placing increased competitive pressure on existing providers as new firms enter the market.

In contrast, Knights' model, size and capability means we see a changing market as an opportunity, with the consolidation in the sector driving more acquisition opportunities, faster recruitment and expansion into more service lines. We also have the financial resources to invest in our technology and new delivery platforms, including our in-house development capability.

Continuing our acquisition strategy, we have acquired two independent law firms during the last 12 months taking us into five new locations. Their successful integration has accelerated our ongoing penetration of the regional market in the UK.

Embracing change and innovation

Knights' business structure allows us to respond to changing demands and economic and market conditions with agility, continuously developing the business to take advantage of opportunities and grow our market share.

As well as constantly evolving how we deliver our existing core services, we are increasingly combining these as part of the provision of managed services, consultancy and other business support processes enabled by collaboration, technology and a low cost base, delivering excellent value for our clients.

Our business model allows us to create new value-added services, meaning we can provide a more bespoke service and deepen client relationships.

Investment in technology, innovative ways of working and adapting workspaces to optimise service delivery will be critical to employee retention and business success going forward. Although we have had the capability to work remotely for over a decade, we continue to invest in our workspaces as our colleagues spend more and more time working in our offices, recognising we are more productive and collaborative when we are together.

* MDB Forecasts.

A growing market with significant opportunity for growth

Estimated value of overall UK legal services market

£43.7bn

Revenue of our addressable market outside London

£3.6bn

Current growth rate of our addressable market**

c.8%

Per year

Source:

** Bureau van Dijk, Mintel UK Legal Services Report 2022, The Lawyer UK Top 200 and Top 100 2022. Data includes Scotland and Northern Ireland.

Business model

Our unique business model

Inputs

Clients
Seeking a premium service for optimum value

Professional Advisors
Seeking career progression in a collaborative environment

Law Firms
Seeking to take their business to the next level within a sustainable national platform

Key Strengths

Cultural

An empowering culture
- Where people can thrive in our collaborative environment without barriers and personal targets.
- One national collaborative team, optimising resources to create the best value and outcomes for our clients.
- Where professionals are empowered to adopt an entrepreneurial, commercial mindset.

Trusted advisors to clients
- Investing time getting to know our clients and understanding their requirements.
- Delivering premium services with speed, accessibility and responsiveness at its core.
- Long-term partner to clients seeking a premium service and respecting those that deliver it.

Operational

Corporate structure
- Strong, established leadership, with broad experience within and beyond the legal sector.
- Management team dedicated to running the business freeing professionals to focus solely on clients.
- Deeply embedded commercial discipline and a pioneering approach.

Efficient and scalable platform
- Single primary IT platform driving efficiency, speed of service, and facilitating business-wide collaboration.
- Work quickly directed to the right expert or experience level, maximising value for clients.
- Teams rapidly assembled to deliver on short lead times, complex matters or high-volume client needs.

Growth

A platform for organic growth
- Enlarged, mature and strong platform for organic growth through the hiring of new colleagues and new client wins.
- Increasing breadth of services and a collaborative culture allows for the delivery of more services lines to clients.
- Focus on the premium market and strong financial discipline leading to more profitable work.

Acquisition track record
- Identifying businesses with an experienced and dedicated team.
- Unlocking value quickly and creating new value sustainably.

Financial

Cash and capital
- Highly cash generative, supporting investment in people, technology, infrastructure and expansion.
- Profitable business with a low cost base, strong balance sheet and industry-leading working capital management.
- Supportive banking partners and facilities of £60m available with £30m unused at the year end.

Underpinned by our vision of creating the leading regional legal and professional services business, our unique business model enables us to build value by executing our strategy across four pillars:

1 Grow Organically

2 Strategic Acquisitions

Creating Value

Delivering value for clients

- Focused on meeting client needs with a commercial mindset, strong market knowledge and high levels of expertise.
- Being trusted advisors by spending more time with our clients and ensuring we are accessible and delivering quickly.
- Structured to deliver best value with high levels of service, underpinned by our 'one team-with you' approach and low cost base.

Accelerating career ambitions

- A new model attractive to energetic, commercially-minded professionals with a merit-based approach to reward and progression.
- Rapid growth, collaborative culture and transformational approach provides a platform for people to grow and thrive in a supportive environment working across local, regional, national and international markets.
- People play to their strengths, delivering a premium service to clients without the pressure and distraction of running a business.

Unlocking value from acquisitions

- Making strategic acquisitions, selecting businesses with a strong cultural fit, with people who share our approach to professional services.
- Quickly unlocking value from synergies, our greater resources and the adoption of our business principles and working practices.
- Accelerating growth by bringing scale, enhanced operational infrastructure and expertise, enabling the delivery of more services to clients and winning new business.

Outputs

Clients

Net Promoter Score*

+64
NPS

>350
Clients with fees over £50k

Employees

82%
Retention*

28
Partner and Senior Associate hires

Shareholders

20.20
Underlying earnings per share* (pence)

16.6%
3 year underlying profit CAGR*

Communities

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

30%
Less paper used vs peer group

* See Glossary on pages 146 - 149.

3
Scale the Operation

4
Exploit Data and Technology

Strategy

Our Purpose

Redefining our industry – transforming professional services for our people and our clients.

Strategic pillars

What we did this year

60
Partner and Senior Associate promotions

126
New fee earners through acquisitions

2
Additional Client Services Directors

5
New locations

3.9:1
Fee earner/non-fee earner ratio

23%
Increase in revenue from top 50 clients for FY23 (excluding one off corporate and CL Medilaw clients)

Our Strategy

To create the leading premium, fully collaborative legal and professional services business in the UK.

Our priorities

- Increase the number of professional services we provide to each of our clients.
- Maintain and accelerate our concentration and focus on the premium market.
- Attract high-quality professionals with a client following from leading law firms.
- Continue to build the range of our expertise.
- Accelerate the growth of our client base and become established in key sectors including international markets and supporting in-house legal teams.
- Become the provider of choice for individual clients with the growth of our Private Wealth team.

- Remain a leading consolidator in the UK legal services sector through selective, high-quality acquisitions.
- Target firms that will accelerate growth in existing markets, or with attractive positions in new key geographies or niche specialisms.
- Realise targeted cost and revenue benefits, and then accelerate growth via our business model.
- Continue to create increased efficiency and capability through expansion of our operating platforms and our focus on continuous business improvement.
- Continue to invest in creating sufficient operational capacity to accommodate growth and sustain our agility.

- Continue to accelerate integration of new colleagues into the business through high levels of engagement and support.
- Enhance our existing delivery platforms through system development and bolt-on technology platforms.
- Create greater economies of scale within our operations infrastructure.
- Increase use of actionable business intelligence to drive growth.
- Enhance service to clients by accelerating speed of delivery and improving their efficiency.
- Build on existing process automation and workflows.

Strategy in action

1 Grow Organically

Building our platform for organic growth

While overall organic growth in the financial year was flat due to the one-off impact of higher post-COVID employee churn, macroeconomic challenges and firmly maintaining our long-term strategy of focusing on premium work and avoiding the squeezed middle market, underlying drivers of organic growth remain healthy. We made the decision to focus on high-quality, profitable work during the year, which provides a strong platform for increased future organic growth as that strategy evolves and as the business matures in the premium space. We continued to attract new clients, delivered more services to clients across new service lines, attracted highly talented professionals and focused on the development and progression of our people.

We invested in our organic growth strategy this year by:

Leveraging our scale and national reputation

Our increased size, capabilities, and visibility continues to cement our reputation as a premium service provider across the UK allowing us to attract exceptional talent and high-quality clients.

Our commitment to prioritising high-quality, profitable work and revenues over less profitable work from the squeezed middle market continued to increase during the year and provides a robust platform for future organic growth as this strategy evolves and the business matures in the premium space.

We continue to recruit from leading law firms and highly regarded professional services firms as partnership and equity-based models continue to become less attractive to a new generation of professionals.

The short-term buoyancy in the post-pandemic recruitment market which increased movement and churn across the entire legal sector has now subsided and we are well-positioned to accelerate our lateral recruitment strategy centred on partners with a strong client following or network.

Heightened awareness and visibility of Knights has continued to attract significant new clients seeking high-quality expertise and exceptional levels of speed, responsiveness and value. Our ever-increasing strength in depth and breadth of our capability, coupled with our unique collaborative culture with more than 1100 professionals working as one team means we are ideally placed to be the provider of choice for the premium clients we work with across local, regional, national and international markets.

> So many of our clients are realising the benefits of Knights' scale and breadth of expertise. They know that we assemble the right team and will be able to help regardless of the challenge. That is a hugely compelling reason to work with us.

Adele Hayfield
Partner

Extending our service offering to our clients

Our early commitment to returning to our offices after the pandemic combined with the expansion of our business during that period has driven even greater collaboration and further increased our capability, meaning we are well positioned to drive organic growth by delivering a greater share of our clients' needs. This growth is driven by both the confidence our clients have in the Knights brand, as well as a strong trust between colleagues to work together and facilitate introductions.

> Our increased breadth of services and depth of expertise means we now deliver a greater number of services to our clients, who are increasingly turning to us for all their professional service needs. We work closely with our clients to offer tailored support and solutions that work for them. This year, the commercial team has been engaged on an ongoing basis to support a number of our key clients with their commercial work including Dunelm, Starbucks, World Rugby and NWF Group plc.

Becky Harper
Partner

Expanding our professional advisory services

Our combination of lawyers working alongside other professional advisors provides clients with complementary service offerings. During the year, we created a dedicated team to support General Counsel and in-house legal teams. In addition to general legal advisory services, we offer consultancy support to large corporate businesses developing bespoke propositions, which promote the value of the legal function, and bridge the gap between internal and external delivery of legal services and any perceived disconnect with the business.

The new offering is in addition to our town planning team which we expanded this year with the acquisition of Lincoln-based Globe Consultants and our existing team of specialist tax advisors.

Our debt advisory team acts independently of lenders, offering clients a unique proposition whereby they can receive both debt funding and legal advice from one trusted business, providing seamless integration, efficiency throughout the process and cost benefits to the borrower.

Knights' one team culture and business model is a true differentiator in our proposition to General Counsel and in house teams. It enables genuine investment in our relationships and encourages collaboration and innovation around our clients' needs. For modern legal teams, those needs extend beyond the law and our offering must keep pace and remain relevant. I am really excited to be leading Knights' focus on corporate counsel and to be partnering with progressive GCs and Heads of Legal to showcase the value that we can create together.

Lyndsey Ratcliffe
Client Services Director –
General Counsel and In-house Support

Strategy in action continued

Building our Core Services

We have seen strong growth in capabilities and experience across our teams with the addition of strong sector and technical specialists complementing our core teams through acquisition and key hires.

Real Estate

- Acquisitions in the year have significantly bolstered our real estate capability and our arrival in Bristol opens up the M5 corridor to Knights, from Birmingham to Exeter via Cheltenham and Bristol.
- We were instructed on the creation of a £1.5bn single family housing platform to deliver c.1,000 homes to the rental market in the next 5 years.
- We also acted on several major development projects, including for Stoford Developments on "build to order" developments for US owned funds.

Integrar

- Our specialist team which provides re-mortgage services to lenders and intermediaries, has delivered significant growth, increasing in number to 165, with our Leicester-based team created in 2022, growing to 29 during the year.
- Showing organic growth of 72% in the financial year, revenues increased from £3.9m to £6.7m over the period.
- Significant contract renewals and successful re-tendering in the year.

CL Medilaw

- Our national team of clinical negligence and serious injury specialists continues to grow under the leadership of a dedicated Client Services Director.
- The team grew through a combination of acquisition and lateral hires from 57 to 74 ('FTE') during the year, driven predominantly through senior hires.
- With organic growth of 38% in the financial year, revenues have increased from £3.5m in 2018 to £10.6m this year through a combination of strong organic growth and acquisition.

Dispute Resolution

- Our capability at Partner level was enhanced by the appointment of a manufacturing and product liability claims specialist in South Yorkshire and a regulatory specialist in Teesside.
- Enhanced our reputation management offering creating a dedicated and responsive team.
- Secured a multi-million pound judgement for our client LSC Finance in the High Court.

Private Wealth

- Our specialists delivering premium private client and tax, landed estates and agricultural, family, private disputes and immigration services.
- Continuing to evolve and strengthen under the strategic leadership of a dedicated Client Services Director.
- Continued growth through acquisition and the recruitment of 3 new Partners into our landed estates and private client tax teams from legal and accounting firms.

Residential Property

- Led by a dedicated Client Services Director, our team now focuses entirely on the premium conveyancing market, a market in which we see little competition and where we provide clients with an unrivalled bespoke service.
- The team grew significantly through acquisition and lateral hires by people during the year.
- Through acquisition we now have a significant, dedicated New Homes purchase team based in Portsmouth. Together with our existing team in Nottingham, this has created a market leading national team for buyers of newly built homes, recommended by many leading housebuilders.

Corporate and Commercial

- Our team of more than 100 lawyers, accountants, tax specialists, banking and debt advisory professionals expanded through acquisition and lateral hires bringing additional expertise in healthcare and cross-border transactional work.
- Our Intellectual Property advisory capability was strengthened through the recruitment of a specialist IP and trademark partner.
- Corporate M&A activity included advising Bershire Hathaway company TTI, Inc. on the acquisition of Ecopac (U.K.) Power Limited and advising and Exponential Technology Group on the UK aspects of its acquisition of Braemac Pty Limited.

Employment

- We recruited 2 Partners in our Birmingham and Teesside offices bringing significant client relationships and additional sector specific experience to our retail offering.
- The team was further enhanced by new colleagues joining through our acquisition on the South Coast, bringing additional retail and manufacturing sector experience.
- We have seen a significant increase in immigration work with our offering being further enhanced by significant post year end hires.

Strategy in action continued

2 Strategic Acquisitions

Over recent years, our acquisition strategy has been a key factor in helping us achieve critical mass enabling us to quickly establish the business across the UK.

Our increased size and expanded footprint have delivered a step change in the Group's reputation and visibility, expanding our client base and increasing our recruitment pool.

Our approach to acquisitions:

Recognising the success of the model of acquiring and integrating businesses to expand the base for future organic growth, this year saw the creation of the role of Group M&A Director to bring greater focus and strategic direction to our acquisition model. James Sheridan joined the Group through the acquisition of his Manchester-based business in 2018. A corporate finance lawyer by background, James now oversees and delivers the Group's M&A strategy and each acquisition made by the Group.

> M&A in people businesses is not straightforward, as it relies heavily on cultural fit. Our experience, built up over the last seven years or so, combined with the skills of a fantastic team of operations colleagues and our Client Services Directors, means that we are able to identify, execute and integrate our acquisitions in a way which is now unlocking the growth potential of the acquired teams quicker and more effectively than ever.

James Sheridan
Group M&A Director

Following rapid growth by acquisition relative to the size of the business, we now see the business maturing quickly as more acquired teams fully integrate into our culture and quickly become better able to leverage value from moving to the premium market. These acquisitions provide the platform for organic growth.

Focus on an acquired business - Nottingham
- Acquired in March 2020
- 95% of acquired revenues retained
- Low churn
- Fully integrated, delivering 10% organic growth in FY22/23 from new recruits and collaborative working across the business

> The offices I lead have embraced Knights and are brilliant at being trusted advisors for clients. That's a process that can take a little time, and some integration, but when everything clicks it proves our approach is right.

John Tansur
Client Services Director – Nottingham and Lincoln

We acquired two regional law firms during the year
Building on our track record of acquiring high-quality businesses with a strong cultural and strategic fit, we have continued to execute our strategy by adding businesses to the Group which can facilitate entry into key markets, and either provide a platform for organic growth in the region, or that can be bolted on to build our presence in our existing locations.

During the year Knights entered five new locations in the South East and South West, considerably adding to our existing presence in those regions and unlocking new markets and opportunities.

Strengthening our presence in a key region

Knights first established its presence in the South of England in 2020 and has since grown its presence significantly through a combination of organic growth and acquisitions. In July 2022 we acquired Coffin Mew, a full-service independent law firm with offices in Portsmouth, Southampton, Brighton and Newbury. Complementing our existing presence in Weybridge, Kings Hill, and Crawley, this acquisition established Knights as a leading regional business in the South. This acquisition also accelerated the growth of our New Homes team, a key strategic pillar alongside our established Plot Sales team and premium Residential Property offering, adding £1.6m of revenue and taking total revenues from Residential Property services to more than £10m.

The pace of engagement, support and collaboration across these offices is tremendous. It helps people integrate straight away, so they can get on with supporting clients. That will help us deliver on our ambitious growth plans.

James Christacos
Client Services Director – Bristol, Exeter, Portsmouth and Southampton

The acquisition of Bristol based independent law firm Meade King in February 2023 took us into a new key city and enhanced our presence in the South West alongside our existing offices in Cheltenham and Exeter. With seven new hires already made, including four Partners, and high levels of collaboration between these offices, this acquisition is already proving to be a platform for organic growth within the space of a few months. This acquisition also adds significant strength to our national healthcare and dental team.

With the acquisition of niche planning business, Lincoln-based Globe Consultants, we expanded our Town Planning capability in the East Midlands, adding four new professionals to our national team.

Post year end, we extended our presence in the North East and North West with the acquisition of Baines Wilson LLP in Carlisle and Lancaster and St James Square in Newcastle upon Tyne.

We joined Knights after two years of strong growth, and becoming part of a national Group will take our growth to the next phase. Our team in Bristol are already reaping the many benefits of being part of Knights.

James Hawkins
Partner – Bristol

Strategy in action continued

3 Scale the Operation

We have continued to strengthen our leadership and operational infrastructure to support our growth plans.

By continuously investing in and developing our leadership team and operational infrastructure, we are building a strong and agile platform which will support and promote future organic and acquisitive growth.

The key ways in which we delivered on our strategy to scale our operation this year were:

Client Services Directors

Our business model and culture requires strong and confident leadership. Having increased the number of Client Services Directors (CSDs) from eight to twelve in FY22, the team grew to 14 by the end of FY23. Our CSDs are either lawyers or have worked in legal services but have retrained at Knights or elsewhere to become business leaders.

Their main responsibilities are:

- Culture carrier to demonstrate our cultural behaviours in action
- Integration and support of new colleagues and acquired businesses
- Business development and organic growth
- Local leader and decision-maker with local autonomy for an office or national team
- Financial management to the gross margin level against core business KPIs including cash generation
- Local key client contact
- Recruitment

Our CSDs are a unique and close-working team providing highly present and focused leadership to all our offices and across all our service lines.

Client Service Director profiles

Our CSDs are a unique and close-working team providing highly present and focused leadership to all our offices and across all our service lines.

Lisa Shacklock
Client Services Director

Lisa Joined Knights through acquisition in Manchester in 2018 and became CSD in May 2021.

Lisa is our CSD for York and Teesside and our integration lead for our new offices acquired post period end in Newcastle upon Tyne, Carlisle and Lancaster.

It has been really exciting to be part of the growth at Knights since 2018. Growing our offering across the North has been a fantastic opportunity and the potential for the next 10 years and beyond is what drives me forward each day.

Helen Niebuhr
Client Services Director

Helen is Client Services Director for CL Medilaw, our national team of clinical negligence and catastrophic injury specialists.

Since joining our business through the acquisition of her business in 2016, Helen has led and overseen the strong and profitable growth of the CL Medilaw team through a combination of teams joining through acquisition and lateral hires across multiple locations. Revenues have increased from £3.5m in 2018 to £10.7m this year.

The nature of clinical negligence work requires us to get really close to our clients – so our team feel right at home at Knights and with the Knights culture. As we invest in a tight-knit national team across CL Medilaw, the new faces in our team are thriving.

Darren Walker
Client Services Director

A lawyer by background, Darren returned to legal services when he joined Knights in 2020 having spent a decade in strategic and commercial roles across healthcare.

After initially delivering specific projects and working with national teams on growth initiatives and system and process development, Darren is now our CSD for our offices across the South East in Weybridge, Kings Hill, Brighton and Crawley.

Our team in the South East are right at the heart of Knights' plan for growth. We're investing in the team, developing emerging talent and opening a new flagship office in Brighton. It's a really exciting time and there's a real momentum in the team.

Strategy in action continued

Operations Directors profiles

Our Operations Directors lead more than 275 colleagues across our operations team supporting both the current business and future projects and opportunities as they arise.

Andrew Pilkington
COO

Andrew Pilkington, formerly Group Client Services Director has become the Group's COO. A commercial and projects lawyer by background, Andrew joined Knights in 2015 having previously spent his career in private practice and in-house in a multinational aerospace business. Since joining Knights, Andrew has undertaken a variety of roles initially as a fee earner and Office Leader and then as a CSD leading both acquisition integrations and established offices.

Andrew's appointment brings the operational and client services teams closer together, ensuring greater alignment and enhanced operational performance with a key focus on optimising our platform for future organic growth.

Since joining Knights to launch our fourth office in 2015, our pioneering approach, clear strategy and collaborative culture has created a unique and transformational UK-wide professional service business. I am excited to now be working closely with our experienced and talented team of Client Services Directors and Operations Directors as we continue to build our business and create the opportunities and platform for further growth.

Tim Bates
Recruitment Director

We're bringing plenty of exceptional talent into the business – with strategic hires joining us across the country and in key areas of growth. In the last year, even more people have approached us because they want to know more about Knights' collaborative, people-first approach. That's brilliant, but it's important that our recruitment activity is aligned to our cultural principals to continue our growth.

Andy Flanagan
Property Director

The growth and journey over last three years has presented an exciting yet unique challenge. The fallout from the pandemic raised questions over the future of office spaces, but we've stood firm behind our strategy to provide premium offices for our colleagues. We're looking forward to continuing our real estate strategy to create premium quality, energy efficient, Grade-A spaces which optimise the way we develop, work and collaborate.

Jo Beech
Office Services Director

Our offices are a hive of activity, from socials and events to hosting clients in our flagship spaces. Over the next few months we'll be taking things further with the reveal of our refreshed brand that will have several office spaces at its heart. We've been working to create a consistent, premium, one-team experience across the business for the last few years, and we're really seeing that come to life now.

Colin Jones
Group Operations Director

There has been significant growth since I joined Knights, bringing lots of opportunities to develop our approach, whilst implementing efficiencies. We have a really strong, reliable operational core which will be fundamental to our success as the business continues to grow.

Yvonne Sidwell
Marketing Director

Throughout Knights' significant growth in the last decade we have focussed on establishing Knights' premium brand and positioning in our chosen markets through the reputation of our professionals. Having grown the team to support the increased levels of activity in the business, we are now delivering a number of key projects to achieve the Group's future ambitions.

The Executive Board, Client Services Directors and Operational Directors work closely together, ensuring that the deep experience across this group supports the growth and continued scaling up of the business.

Operating with efficiency

Professionals who have built their careers in operations leadership and delivery have continued to support our rapidly growing business which ensures that the Group is able to capitalise quickly on future opportunities as they arise.

The strength of our operational backbone supports the delivery of a premium service to both our internal colleagues as well as our growing client base, as evidenced by our fee earner to non-fee earner ratio, which was 3.9:1 in the period against an industry norm of 1.7:1.

Investment in office space

Having high-quality office space to create an optimal working environment is an important facilitator of Knights' 'one team' collaborative culture and our growth.

Knights' presence across the UK means that many of our people live within a short commute of their office, which supports a healthier work-life balance. Our culture and collaborative way of working are strongest when our people are together, exchanging ideas and supporting each other, which in turn is driving better development opportunities for our people, better productivity and better outcomes for our clients.

With most of our people now having returned to office-based working, we have invested and will continue to invest in our network of offices, creating an attractive mix of agile working spaces as well as high-quality social space.

We have also invested in our Office Services team during the year to support the significantly increased level of activity within our offices, both internal and hosting clients and visitors.

Alongside this continuous investment programme, we also manage our real estate carefully, consolidating and rightsizing where possible and offloading underutilised space to reduce costs and to minimise our carbon footprint.

Platform for sustainable growth

The strength of the operational core we now have in place means we can rapidly grow the number of clients and colleagues we support and that acquisitions are executed with no disruption or distraction to the business, they are "business as usual" for us.

Strategy in action continued

4 Exploit Technology and Data

Utilising technology to grow margin and differentiate our services is a core part of our strategy.

Having created a robust, scalable platform able to integrate acquisitions in a matter of weeks, our focus is shifting to enhancing client services by creating an experience both for our clients and colleagues based on speed and quality of service which differentiates us from the competition.

The use of technology across the business to enhance and support our premium services and to grow profitability is a core part of our strategy. Technology continues to revolutionise the way we operate, elevating efficiency, productivity, and client service.

Key components of our IT strategy:

A single, scalable and robust platform
Our use of a single practice management software platform remains at the centre to our systems approach. Keeping client data in one system offers numerous benefits, including streamlining workflows, improved client experience, enhanced security, efficient collaboration, data analysis capabilities, and scalability. Our systems and operating environment allow for other complementary applications to work within or alongside our core platform.

Our use of technology continues to accelerate, and we are well positioned to build on the existing platforms and capability we have created. We will continue to invest in new and emerging technologies and systems to further drive business performance.

Investing in development capability
We have continued to invest in our internal IT development resources and capabilities to broaden our technology skill set which reduces reliance on third parties to deliver projects and continuous improvement initiatives. Having development and programming capability in-house allows us to customise and develop our platform and resources quickly enabling an agile approach to introducing change and improvement across our systems. We believe this strategy will enable us to sustain a competitive edge as we look towards new and emerging areas of innovation.

Improving efficiency and revenue growth
We continue to use technology and develop our systems to enhance our services in terms of speed and quality of experience (for our people and our clients), and to support margin enhancement by eliminating unnecessary layers of work.

We continue to identify and automate repetitive tasks enabling colleagues to save and free up time to focus on delivering higher value, premium advice. We continue to deliver service and efficiency initiatives across different practice areas through business process automation, creating workflows as well as document creation.

Security
Continued focus has been given to ensuring we maintain the highest levels of data and IT security. We continue to work closely with our 3rd party IT security consultants on security focused initiatives including an ongoing programme of security testing and awareness.

Using data and systems to manage and drive organic growth effectively. Having all our client data and information in one central practice management system means we are easily able to generate key management information and reports from a single source.

Having an internal team of IT developers enables us to create bespoke reports quickly to support the business, deliver on key business KPIs such as time recording, invoicing, cash collection, productivity and organic growth.

The combination of having a single platform and development capability means we have been able to create and customise the way we onboard and engage with our clients giving greater information and transparency and also delivering better financial discipline and performance from the business.

In my 22 years with Knights there have been many challenges and opportunities – and the business has grown significantly in that time.

We have made significant investment to support this growth including in our development and programming capability to continuously enhance our bespoke platform and provide high quality real-time data.

Nigel Johnson
IT Director

Responsible business

Building a sustainable business that benefits all stakeholders.

Knights is committed to building a sustainable, future-proofed business. A business that allows its stakeholders to thrive, empowers its people and the communities we are part of, minimises its environmental impact and operates ethically with the highest levels of governance. These goals, which are fully aligned with the United Nations' Sustainable Development Goals, a plan of action for people, planet and prosperity, underpin the Group's investment case and are central to its purpose of transforming the way professional services are delivered.

The Group is also informed by guidelines from independent agencies such as MSCI and aligns 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 making a positive impact.

Managing our business for the long-term

Caring for our people and communities

Looking after the environment

> Our commitment to reducing the Group's carbon footprint continued this year whilst we adapted working practices to accommodate for a return to more normalised office based working and travel, following the pandemic. We continue to invest in technology and review our property portfolio to help us meet our long term carbon usage targets. We continue to deliver on our ESG initiatives and see increasing momentum in our work within our communities through our *4 Our Community* initiative.

Jane Pateman
Non-Executive Director
Responsible for driving the Group's ESG initiatives since FY20

Our commitments and targets

Knights Group is a low impact, low carbon intensive business. We remain committed to improving what we do, including achieving net-zero in our own operations and across our entire value chain by 2050 or sooner.

We remain committed to our social responsibilities both internally and externally and maintaining the high level of Governance already established within the Group. The Group commits to reviewing the science based targets approach fully over the next year and has instructed an external consultant to assist with this review.

We commit to:	By
1 Reduce our carbon footprint by: a) reducing our carbon emissions per employee by 10% in the short to medium term; b) achieve net-zero in our own operations (scope 1 and 2 emissions) by 2050 or sooner.	– Achieve a minimum energy performance rating of B on all newly refurbished offices – Achieve BREEAM rating of 'very good' – Upgrade aged and redundant systems with new efficient technologies such as LED lighting; lighting control systems (absence detection) and VRF heating and cooling systems – Rightsize underutilised assets where feasible via subletting or surrender of any excess space – Introducing electric company cars into the company car fleet – Investing in Audio Visual equipment to reduce unnecessary travel between offices
2 Support a reduction in employee commuting emissions by encouraging the transition to electric vehicles	– Charging points to be installed where possible at office locations – Launching a cycle-to-work scheme in FY24 – 'Think before you travel' guidance to be developed and issued
3 Engage and educate our people on ESG matters to drive engagement and build ESG considerations into our every day	– Regular programme of communication and training to be implemented
4 Achieve net-zero across our entire value chain by 2050 or sooner	– Environmentally sustainable procurement – Identifying additional actions to reduce emissions as our strategy evolves and we benefit from advancements in technology and the transition to renewable energy more generally
5 Ensure all of our employees are paid a minimum of the Real Living Wage	– Regular reviews to ensure all employees continue to be paid above the Real Living Wage
6 Increase our social engagement in the community	– Encourage increased engagement in our *4 Our Community* programme
7 Continue to develop an inclusive culture	– Embedding of *Welcoming Everyone* approach to inclusion

Responsible business continued

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.

Caring for our people and our communities

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

Looking after the environment

Focusing on cutting our paper and reducing our carbon footprint.

Managing our business for the long-term

Board Composition

- Non-legal background 80% (4 out of 5) (2022: 80%)
- Independent Directors 60% (3 out of 5) (2022: 50%)
- Gender diversity 60% (3 out of 5 are female) (2022: 60%)
- Ethnic diversity 20% (1 out of 5) (2022: 20%)

Accountability

- Board member accountable for ESG: Jane Pateman
- Independent Audit Committee chair: Gillian Davies
- Independent Remuneration Committee chair: Jane Pateman
- Compliance Director and Anti Money Laundering Officer
- COLP and COFA

Foundations

- ESG and Corruption fines: None
- Political contributions: None
- Compliance training: 88% of staff fully trained

Caring for our people and communities

Sentiment

- Employee NPS* +20 (2022: +24)
- Staff churn* 18% (2022: 9%)
- Client NPS* +64 (2022: +72)

Flexibility & Diversity

- Female Partners 43% (2022: 41%)
- Female Directors 35% (2022: 30%)
- Female promotions 75% (2022: 59%)
- Part-time colleagues 20% (2022: 15%)
- Part-time Partners 19% (2022: 23%)

People Investment

- 74 Trainee solicitors
- 27 Apprentices
- 5,722 hours of employee training
- 4 hours per month available for employees to assist in their community

Foundations

- Data Protection & Privacy (ISO27001, GDPR, UK Cyberessentials+)

Looking after the environment

Consumption

- Paper usage c.30% lower than peer group*

Waste

- Hazardous waste 0kg
- Recycled/energy recovery 100% (when under our control)

* See Glossary on pages 146 - 149.

Responsible business continued

Managing our business for the long-term

Knights operates its business in accordance with the highest standards of corporate governance and conduct, overseen by a Board of Directors with 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 the communities in which it operates.

Further details of the Board's role are set out in our Section 172 statement on pages 48 – 49 of this Annual Report.

The Board is comprised of two 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. Our CEO, David Beech, is the only member of our Board with a legal background. The rest of the Directors bring a broad range of experience from various disciplines and a wide range of industries.

Business ethics and compliance

Operating responsibly, sustainably and with integrity is a fundamental part of our culture and informs everything we do. It is also essential to the long-term success of the Group.

The Group is governed by the Solicitors' Regulation Authority and is subject to a range of regulations, including the AIM Rules and rules imposed on listed businesses by the Financial Conduct Authority as well as its own rigorous commitment to conducting its business to the highest standards.

Knights has a meticulous '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 client backgrounds prior to working with them, and its dedicated, independent in-house compliance teams rigorously monitor all work being conducted throughout the business on an ongoing basis.

All colleagues receive mandatory compliance training during the onboarding process and are required to refresh this every year.

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 has an anonymous whistleblowing policy, available on its intranet.

Modern Slavery
The Group has a zero-tolerance approach to modern slavery anywhere in our supply chain. Our policy is available on our website.

Board members

5

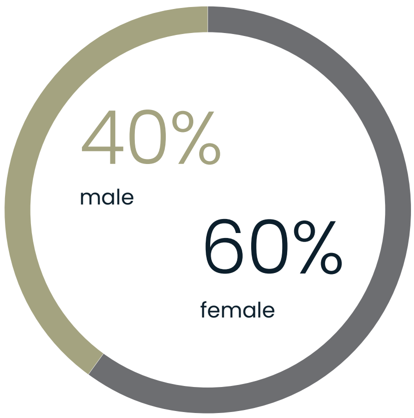
Independence

60%

Non-legal background

80%

Gender diversity



> When we say 'one team' **we are one team**. And we make sure we don't have processes, management styles or anything else which can creep in that dilutes that. **We work really hard at it.**

Employee feedback
Collected during our Employee Value Proposition project

Caring for People and Our Communities

Having become one of the largest collaborative professional services teams in the UK Knights has the reputation, market positioning and size to recruit the best professionals in our industry, attracted by the opportunity to join an open-minded, transformational and resilient business delivering a premium bespoke experience for clients.

We believe in giving people the freedom to discover and fulfil their full potential within a truly collaborative team-based business.

Our inclusive, people-first culture is a clear differentiator and something of which the Group is incredibly proud.

> **I can just speak to anyone.** I don't feel like I'm too low down to speak to the Client Services Director, and I've never felt like that in a company before.

Employee feedback
Collected during our Employee Value Proposition project

Excellence together

Excellence is the promise that we make to ourselves and for each other; defining the experience and environment we create at Knights.

We recognise the importance of helping our colleagues, clients and the communities in which we operate thrive. We celebrate excellence, hold ourselves to high standards of excellence and encourage excellence in each other.

Working together without hierarchy and with high levels of communication and engagement supports and enhances our unique collegiate culture.

Knights' culture is simple. We support our people while giving them freedom. We focus on what people contribute, we reward people who deliver, we help each other, and we are honest.

Collaborating, sharing and coaching – as agile team players, we become increasingly effective, creative and successful together. We're proud of this approach and believe it makes us a stronger and happier business.

Knights' approach means we are increasingly diverse. We are proud that the percentage of female Partners remains in the top 10 percentile of the industry, and that we benefit from the talent of a wide range of ethnicities, religious backgrounds and sexual orientations.

Excellence together is our commitment to our people, with our people and from our people – activated through our pillars:

- Your career, your path
- Difference with purpose
- One team

Employee NPS*

+20

Client NPS*

+64

Female Partners

43%

Part-time colleagues

20%

Retention*

82%

* See Glossary on pages 146 - 149.

Responsible business continued

Caring for Our People and Communities

Helping people thrive

Working life at Knights centres on creating a supportive environment which puts our people first and allows them to grow, set and realise their own ambitions. This makes us stand out. At Knights there are no glass ceilings or limits on how our people can progress. Our people are in control of their own careers.

Health and wellbeing

Focusing on the wellbeing of colleagues, and ensuring they are supported, happy and healthy is paramount to us. Our 'one team' collaborative culture is something of which we are immensely proud.

We maintain a focus on mental health awareness and also provide all colleagues with access to Health Assured – a health and wellbeing platform that provides guidance, support and resources for helping colleagues in any circumstance. During Mental Health Awareness week we run a series of awareness articles on our intranet and actively signpost the resources available on the Health Assured platform.

During the year, we invested in training for our entire HR team to become mental health first aiders.

Learning and personal development

Investing in the growth of our people is important to the business. Excluding our 74 Trainee Solicitors and five Apprentices who are enrolled in formal training programmes, our colleagues have received formal training across areas ranging from technical skills, business skills, and health and wellbeing.

Salaries and promotions

Alongside our recent work to properly price the value that we deliver to clients, we conducted a full salary review by 30 April which has enabled us to deliver positive uplifts to colleagues across the Group.

We are confident that the salaries we offer, at all levels, are competitive. We have also made 143 promotions during the year, reflecting how we continue to nurture and develop our talent and recognise high performance.

Work-life balance

We believe we are stronger, more creative and more productive when we are with our colleagues. We also coach and learn more effectively too. While the hybrid working model served a purpose during the COVID pandemic and accelerated the adoption of some positive new ways of working and communicating, we thrive at Knights when we are together. Accordingly, we took an early decision to return to office-based working while continuing to support and promote a balance between work and personal life to meet individual needs. 20% of colleagues work part-time, including 19% of Partners.

Offices

Our offices continue to be central to everything we do and are fundamental in supporting learning and development, collaborative working and building inclusive teams. That is why we continue to invest in grade A office space offering a modern working environment and capacity for future growth.

We're so fast moving because it's so **entrepreneurial**. If you are a shining light, you can **fly really quickly.**

Employee feedback
Collected during our Employee Value Proposition project

Benefits

We continue to review our overall benefits package on an ongoing basis.

In November 2022, to give additional support to our people as inflation and the cost of living increased, we introduced our Knights Retail Benefits platform which provides everyone at Knights with access to retail and leisure discounts and offers, as well as cashback on certain purchases. Uptake on this benefit has been high with 67% of our colleagues currently registered and active users of the platform.

Events and social calendar

We believe creating opportunities to spend social time and having fun together is important in supporting and promoting our team culture.

Our Annual Conference is an important day when our entire business comes together. This year's event at the ICC in Birmingham in June 2022 was our largest to date and featured an open Q&A session with David Beech and also a focus on Mental Health and Wellbeing with guest speaker Fearne Cotton.

In November, we held our annual Partners' conference in London where we discussed our vision and strategy to the entire partner group with a mixture of presentations, Q&A and social time together.

Throughout the year we run a calendar of events which are a combination of locally organised social events in our offices combined with nationally organised events such as pancake day and Coronation day afternoon tea often combined with charitable initiatives.

Nationwide efforts to support disadvantaged people

Knights' 4 Our Community programme (4OC), through which we encourage all our people to give four of their working hours each month to support local causes they care about through volunteering and fundraising, remains our primary national community-focused initiative.

Throughout the last year teams in all of our offices have come together to support organisations which make their communities a better place. In the process, our people have used 4OC time to provide mentoring, collect hundreds of Easter eggs, festive packages and books – and our business-wide Christmas jumper day raises hundreds of pounds for charities across the country.

Similar local initiatives run alongside and in addition to our 4OC programme, including combining appeals for donations to local foodbanks alongside our office social events.

Egg-cellent effort for children's hospice

The value of our 4OC programme was demonstrated by our Manchester team stuffing hundreds of knitted Easter eggs with creme eggs in April.

Their efforts supported Francis House Children's Hospice's Easter Chick Appeal – with the money raised from the sale of the eggs used to support families across the North West.

Responsible business continued

Supporting our communities

Part of creating a healthy working environment involves enabling our colleagues to make an impact beyond the business. It helps them to feel good, build relationships outside the business, and contribute to the communities in which we operate.

We believe those who help others are more engaged and better connected within the communities they serve as part of their work for the business.

This is why Knights' 4 Our Community programme is so important to us and has continued to grow as our business has grown.

Fearless team take on Three Peaks

A team of eleven fearless hikers took on the gruelling Three Peaks Challenge in under 24 hours to raise money for Bridge Wellness Gardens. They smashed their £5,000 target to support the charity's incredible work helping people in Cheshire with lifelong disabilities.

Huge well done to John Loney, Jonathon Hogg, Rosanna Price, James Lunt, Awen Jones, Megan Baldwin-Brown, Michelle Jarvis, Amy Glasgow, Dan Walker and Tim Dennis. The team used 4OC time to clock up the training miles before they strode up Ben Nevis, Scafell Pike and Snowdon.

Clocking up the miles for mental health

To show support for World Mental Health Day, members of our team were out pounding the pavements in October. Covering as many miles as they could manage, they raised money for mental health charity Mind and to awareness of the importance of mental health. Efforts were spearheaded by the amazing Oliver Taylor who ran an unbelievable 325 miles throughout October – averaging 15 miles every day.

Painting the town... orange!

Our team in Teesside faced down the January blues by turning up the colour on Blue Monday with some vibrant office outfits. Their colourful attire raised money and awareness for The Headlight Project's efforts to reduce the number of deaths by suicide in the Tees Valley.

Taking to the streets

Our team of relentless litter-pickers have been very busy in Oxford! The team, led by Amie McLellan and Ravi Bhamra, have spent many a Friday afternoon using 4OC hours supporting OxClean's litter picking efforts.

Looking After the Environment

Knights is a low impact, low carbon intensive business. It is deeply committed to minimising the environmental impact of the Group's operations by reducing carbon emissions and considering environmental and sustainability issues as part of all strategic and environmental decisions.

Climate Change and carbon emissions

We aim to reduce our emissions and ensure efficient use of all resources within our business. Our main use of energy is in relation to the day to day operation of our office locations. We aim to continually assess our real estate portfolio to ensure efficient use of space. We will rightsize underutilised assets where feasible either through subletting or surrender of excess space. During FY23 we sublet one of our offices in Leeds and combined all employees based in Leeds into one newly refurbished office.

In FY24 we are already working towards the sub-lease of some underutilised space in Teesside and Oxford which will lead to increased energy efficiencies in the future.

When refitting and upgrading our office space we ensure that a large portion of the procurement is considered environmentally sustainable.

We have reported as required on the Taskforce for Climate-related Financial Disclosures ('TCFD') on pages 40 - 45 and in accordance with The Streamlined Energy & Carbon Reporting ('SECR') regulations on pages 46 - 47.

The SECR report for the year shows an increase in energy usage both at an absolute and intensity level. This increase in energy consumption year on year reflects the increased travel and office occupancy as we return to more normalised working conditions after the pandemic. The data also includes full data for an additional seven offices added through acquisition compared to last year.

The Group is currently reviewing its entire property estate to rightsize any underutilised assets and is introducing a refurbishment strategy to improve the energy efficiency of the property portfolio.

Paper reduction

Traditionally, law firms are heavy paper users. Our investment in technology and commitment to a 'paper-lite' way of working across the Group supports our aim to be continually below the industry average in terms of our paper usage. During FY23, despite the return to offices, our paper consumption was 30% lower than our peer group. With our continued focus on investing in technology we aim to continuously reduce our paper consumption per employee from its current level of 4,300 pages per employee per year, in future years.

Waste management and recycling

We recycle wherever possible, including paper, cans, plastic, cardboard and computer equipment. Recycling bins are in all of our offices to ensure recycling is simple and easy for our people. We provide glass water bottles and glasses along with water stations to reduce the use of plastic water bottles across the business.

Knights rapidly modernises the businesses that it acquires, improving their digital infrastructure and digitising all paperwork in offices on the Knights platform. Knights also has a continuous programme to reduce the amount of paper in storage to reduce energy costs associated with storing excess paper. All paper taken out of offices and storage is recycled.

We engage with our electrical waste suppliers to ensure there is a high degree of re-use and recycling of our retired IT equipment. Redundant equipment is recycled by ISO 27001 accredited firms which are certified by the Asset Disposal and Information Security Alliance ('ADISA'). ADISA recycles as much of the equipment as possible. Any parts which are not recyclable are disposed of in line with the Waste Electric and Electronic Equipment Regulations 2013 ('WEEE').

Non-financial and sustainability information statement

Climate-related Financial Disclosures Regulations 2022 Statement

We recognise the climate change risks facing the global environment, and at Knights we support the global transition towards a sustainable low carbon economy with a transition towards net zero.

In this section we report climate related disclosures in accordance with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 which has requirements aligned to the Task Force on Climate-related Financial Disclosures (TCFD) Statement.

This year our focus has been on refining our understanding of the climate-related impacts and required disclosures, as applicable to the Group. We have worked on agreeing challenging, but achievable, targets for the Group and formalised our internal reporting structure on climate related issues.

Knights supports the TCFD recommendations and is committed to implementing them, providing all stakeholders with full information on our exposure to climate-related risks and opportunities, aiding them in making informed investment and other decisions.

Governance	
Describe the Governance arrangements of the Group in relation to assessing and managing climate-related risks and opportunities.	The Board has ultimate responsibility for the Group's overall strategy and appetite for risk, including areas relating to sustainability, the environment and carbon emissions. The Executive Board sets Knights' ESG and climate strategy and takes responsibility for the implementation of the ESG strategy including the impact of climate related risks and opportunities that this poses for the Group. The ESG Committee ensures that climate related matters are considered and reported to the Plc Board as appropriate. Any specific climate related risks are included within the Group's overall risk register which is reviewed by the Board and the Audit Committee annually. Our ESG Committee and internal operational Directors ensure that all potential risks and opportunities are considered in all areas across the business including, but not limited to: Estate management, Procurement, Health and Safety, IT, HR policies and Finance. Any emerging risks are included within the Group's risk register which is then reviewed annually by the Executive and PLC Board. Where potential opportunities are identified these are discussed internally at monthly management meetings and actioned as necessary. We will continue to develop the roles and responsibilities of the management team in assessing and managing any climate related risks and opportunities across the Group. Climate related issues are taken into consideration when reviewing and making strategic and operational decisions, considering risk management, preparing annual budgets and assessing capital expenditure and acquisitions. The Group's continual focus on operating in a 'paper-lite' environment from Grade A highly energy efficient office spaces with a focus on utilisation of technology and Audio Visual equipment to reduce unnecessary travel, demonstrates our commitment to ensuring our business strategy aligns with the need to focus on relevant climate related issues.

Strategy

Describe (i) the principal climate-related risks and opportunities arising in connection with the operations of the Group, and (ii) the time periods by reference to which those risks and opportunities are assessed.	Our analysis of the key risks and opportunities in respect of climate related issues over the short, medium and long term are summarised in the tables below. These opportunities and risks will continue to be reviewed and updated in response to the evolving landscape and as our climate related strategy develops further. We have defined the length of our terms to align with the wider business strategy: Our short term is one to three years; medium term is three to five years and long term is over five years.
Describe the actual and potential impacts of the principal climate-related risks and opportunities on the business model and strategy of the Group.	Knights is a low-impact, low carbon-intensive business that aims to reduce its environmental impact by reducing carbon emission, waste and considering environmental and sustainability issues in all business decisions. Not only are we low-carbon intensive in our own operations but, through sustainable procurement, where possible, we aim to minimise our environmental impact across our entire value chain. Our intensity measure per employee is relatively low and we have plans in place to reduce this further by subletting or offloading underutilised offices and refitting old energy inefficient offices to Grade A, energy efficient spaces. Physical climate related risk is also considered low. Subsequently, our assessment of business activities did not identify any significant climate related risks that need to be reported in our Principal Risks and Uncertainties report on pages 61 - 69.
Describe the resilience of the business model and strategy of the Group, taking into consideration different climate-related scenarios.	As a low-carbon-intensive business, we consider our organisation to be resilient to the risks identified in the tables below. We will be assessing further with external professional advisers in the next financial year to evolve this analysis further. Whilst we recognise climate creates some risks and uncertainties for our business, we consider the risk is low as there would be sufficient time to evolve our business model and activities to mitigate any risks.

Risk Management

Describe how the Group identifies, assesses and manages climate-related risks and opportunities.	Risk management is an integral part of our governance and we focus on the key risks that could impact our ability to achieve our financial and strategic goals. We recognise the impact that climate change is having globally and that it presents a risk and uncertainty to our business in the future. We identify and assess climate-related risks and opportunities as part of our financial planning processes, strategic review and as part of our ongoing risk review process. We consider climate change as an emerging risk to our business rather than a principal risk and it is included as such in the Group's Risk Register. As well as the potential risks that climate change itself poses to the Group, we perceive any failure to comply with required reporting is identified as a reputational risk. The Board and Audit Committee oversee the risk assessment framework across the Group. We have an established risk management framework and register that is maintained by our Compliance team. This framework ensures that we centrally capture, document, review and manage the risks facing the business. As part of this process we work towards ensuring appropriate mitigating factors are in place for all risks identified. Climate related risks are managed by the Executive Board and management team and reported to the Board as part of the review of the overall Risk Register.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management process in the Group.	Climate and environmental related risks are considered in all significant business decisions and are included within our Risk register as an emerging risk. We continually embed into our culture the consideration of climate and environmental related issues across our business by engaging with all of our senior management team.

Non-financial and sustainability information statement continued

Metrics and Targets	
Describe the targets used by the Group to manage climate-related risks and to realise climate-related opportunities and performance against targets.	As the Group has a strategy of organic and acquisitive growth, any measures and targets used to assess the Group's climate related risks and impact are based on intensity levels as a percentage of absolute numbers of full time equivalent number of employees and revenue. The Group has set targets to reduce both the scope 1 and scope 2 location based emissions by 10% based on reported levels for the year to 30 April 2023 within the next five years.
Describe the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculation on which those key performance indicators are based.	As a professional service based business, the key areas that the Group is focussed on in order to manage its impact on the climate are reducing the carbon usage of the Group per employee and as a percentage of Revenue. As part of the annual SECR report the Group (assisted by an external consultant) reports on Scope 1, 2 and 3 emissions in absolute terms. These calculations include all seven Kyoto protocol GHGs (Co2, N2O, CH4, HFCs, PFCs, FF6 and NF3) and are expressed as tonnes of carbon dioxide equivalent (tCo2e). These are then converted to the relevant intensity values using the average number of full time equivalent employees for the period or reported revenue figure for the year as appropriate.

Risks and opportunity identification and assessment

We have categorised the climate related risks and opportunities as follows: Transition risk;: Policy and Legal; Reputational; Market; and Technology as shown below.

Due to the nature of our business and our low carbon environment we have not identified any risks that will significantly impact on our short, medium and long-term strategy. We continue to monitor the risk and will consider further risks and opportunities as our climate related risk strategy is developed further and embed these climate related risks and opportunities into all strategic decisions.

Short term

We consider the short term to cover a period of up to three years which aligns with our financial forecasting period. In this period we will continue to take a proactive approach to minimise climate related risks and maximise any potential opportunities. This will involve the following areas:

- Efficient use of office space (consolidation of any excess office space where possible);
- Where feasible, real estate and construction related procurements will be environmentally sustainable;
- Replacement of old inefficient energy systems with new more efficient technology such as LED lighting, lighting control systems (absence detection) and VRF heating and cooling systems;
- Switching to carbon-neutral energy contracts;
- Use of technology to reduce travel for individual meetings; and
- Ensuring compliance with all climate related disclosures and regulations (e.g. TCFD, ISSB).

Medium term

We define the medium term as a period of three to five years. Over this term we will focus on further identifying and managing financial risks and opportunities associated with climate change. Potential considerations are:

- Regulatory net-zero carbon requirements;
- Increased regulatory reporting; and
- Increasing energy and other related costs within the value chain.

Long term

In the long term, being a period over five years, we need to consider the implications of government policy, market trends and physical climate conditions:

– Impact of increased temperatures on our day to day operations and infrastructure; and
– The impact on our customers, suppliers and stakeholders on the UK's net-zero commitment.

Climate change related risks

Although we do not consider there to be any significant climate related risks and opportunities, the tables below summarise the areas considered as part of our assessment of the potential impacts of climate change on the business.

	Risk	Potential business Impact	Mitigation
Transition Risks			
Policy and Legal	Non-compliance with the enhanced reporting obligations.	With the emergence of more enhanced and detailed reporting requirements the management team need to ensure they remain up to date and ahead of reporting requirements to ensure there is the ability to comply with enhanced reporting obligations in a timely manner.	The Group has engaged an external consultant to assist with the detailed energy and emissions data reporting requirements. Training of key individuals on an annual basis to ensure full compliance with the emerging legislation.
Reputational	Increased expectations from Investors, colleagues and clients for climate related issues to be a key focus in the strategy and to be clearly communicated across all stakeholders.	**Investors** Knights' reputation could be impacted if the Group was perceived not to be taking appropriate actions in connection with climate change and complying with all reporting requirements. This could potentially reduce capital available for investment if we do not meet investors' ESG requirements. **Colleagues** A poor reputation in the market in respect of our climate related position could impact the recruitment and retention of key individuals which is key to our short and long term success. **Clients** Clients are increasingly selecting suppliers and advisers based on ESG and climate related policies. Therefore any perceived negativity around these policies may lead to lost clients and revenues.	Operating in a low carbon industry, the risk is considered to be low from negative climate related impacts. However, to demonstrate our positive approach towards addressing climate related issues we propose increased and improved reporting internally and externally on all climate related issues. Although we do not believe that Knights currently acts for any clients believed to be high risk from a climate related risks strategy, the Group is in the process of developing a central policy for identifying clients and industries that may damage our reputation. Further involvement of all Client Services Directors and operational leads in the ESG strategy and ensuring it is fully embedded into our everyday actions is key to maintaining a positive reputation in this area.

Non-financial and sustainability information statement continued

	Risk	Potential business Impact	Mitigation
Transition Risks			
Technology	We do not believe there are any risks to Knights in relation to the potential introduction of lower emissions technology.	Not applicable.	This area will continue to be monitored.
Market	Uncertainty over future costs of energy and other related operating costs.	Although Knights has relatively low energy usage, with over 20 offices across the UK an unexpected increase in energy and related costs could have an impact on profitability and margin achieved.	To keep its energy consumption as low as possible, Knights has a policy, wherever possible, to occupy grade A office space with highly efficient energy systems in place. Also, where possible Knights purchases energy on advanced contracts to ensure surety of pricing for the foreseeable future hence minimising any short term impact. On an ongoing basis we review our business travel requirements to minimise unnecessary travel and identify reduction opportunities. We have been introducing electric vehicles to the internal carpool.
Physical Risks			
Weather	Changes in weather patterns and temperatures.	Increased costs from heating and cooling office spaces impacting the margin achievable. Our business is dependent on our IT infrastructure. Extreme weather conditions could impact reliability of power supplies causing disruption to our ability to operate.	Switching to more efficient and green energy sources across our property portfolio. We have a Tier 3+ off site data centre with multiple paths for power and cooling supported by a dedicated generator that can run for a number of days without additional fuel, providing the ability to operate in any general power outage.

Climate change related opportunities

The table below summarises the potential climate related opportunities identified as part of our assessment of the potential impacts of climate change on the business.

	Opportunity	Potential business Impact	Current status
Resource efficiency	Reduction in data storage	Reduced energy consumption, reducing operating costs and increasing margin.	We plan to review the amount and type of electronic data stored and make reductions in order to reduce data centre energy consumption.
	Recycling	Reduced operating costs.	We engage with our electrical waste suppliers to ensure there is a high component of reuse and recycling of our retired IT equipment.
	Office space kept under review	Reduction in establishment costs.	We keep the amount of office space utilised under close review. We will 'right-size' underutilised assets where feasible either through sub-letting or surrender of excess space hence reducing heating and cooling requirements.
Energy Source	Use of lower-emission energy sources	Increased reputational benefits amongst colleagues and external stakeholders.	We will look to switch our electricity and gas contracts to carbon neutral contracts where possible, balanced with the need to also control total costs. When entering into any new office space we will aim to ensure that, where possible, these all meet minimum energy standards achieving a minimum energy performance rating of B and BREEAM of 'very good'.
	Use of new technologies	Increased reputational benefits. Reduced operating costs and more efficient use of time, increasing productivity and margin.	We will continue to review the heating and cooling systems used within our offices. We continue to upgrade our conferencing facilities to enhance the virtual meeting experience, enabling colleagues to reduce unnecessary travel.

Non-financial and sustainability information statement continued

Streamlined Energy and Carbon Reporting

Greenhouse gas emissions ('GHG') statement

Knights Group Holdings plc 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 Knights Group Holdings plc's stated emissions for the reporting year – the 12 months starting 01/05/2022 and ending 30/04/2023 with comparatives for the year ended 30 April 2022.

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, N2O, CH4, HFCs, PFCs, SF6 and NF3

The figures were calculated using UK government 2022 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 Group Holdings plc's strategy. Prior to/during the reporting period the following projects have taken place:

- LED lights have been fitted at the York, Maidstone and Oxford offices with a programme for the same in Portsmouth which is 50% complete.
- Chester and Maidstone offices use 100% renewable electricity.

Annual energy consumption (kWh)	**01/05/2022 to 30/04/2023**	**01/05/2021 to 30/04/2022**
Electricity	**2,708,773**	1,447,100
Gas	**346,388**	324,385
Transport fuel	**855,769**	459,826
Total	**3,910,930**	2,231,311

Annual GHG emissions (tCO_2e)		
Scope 1		
Emissions from combustion of gas	**63.2**	59.6
Emissions from combustion of fuel for transport purposes	**19.3**	15.0
Scope 2		
Emissions from purchased electricity – location-based	**523.8**	337.0
Emissions from purchased electricity – market-based*	**502.1**	280.6
Scope 3		
Emissions from business travel in rental cars or employee vehicles where company is responsible for purchasing the fuel	**185.7**	78.0
Total tCO2e emissions (location-based)	**792.1**	490.0
Total tCO2e emissions (market-based)**	**770.3**	433.6

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.

** Train travel taken from Trees 4 Travel data Inntel data held for a period and multiplied across year.

Annual energy consumption (kWh)	01/05/2022 to 30/04/2023	01/05/2021 to 30/04/2022
Intensity (tCO_2e/FTE)		
Full Time Equivalent ('FTE') Employees	**1,353**	1,306
Intensity ratio: total location-based tonnes per FTE employee tCO2e/FTE	**0.58**	0.44
Intensity ratio: total market-based* tonnes per FTE employee tCO2e/FTE	**0.57**	0.39
Intensity (tCO_2e/£m revenue)		
Revenue (£m)	**142.1**	125.6
Intensity ratio: total location based tonnes per £m revenue tCO2e/£m	**5.58**	4.59
Intensity ratio: total market based tonnes per £m revenue tCO2e/£m	**5.42**	4.04
Methodology	GHG Protocol Corporate Accounting and Reporting Standard	

Responsibilities of Knights Group Holdings plc and Carbon Numbers

Knights Group Holdings plc was responsible for the internal management controls governing the data collection process. Carbon Numbers 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 (Birmingham, Brighton, Bristol, Cheltenham, Chester, Crawley, Exeter, Kingshill, Leeds (Majestic & Wellington Place), Leicester, Lincoln, Manchester, Newbury, Nottingham, Oxford, Portsmouth, Southampton, Stoke, Teesside, Wilmslow, York).

Non-financial and sustainability information statement continued

Section 172(1) Statement

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

This section of the Strategic Report describes how the Board acts in line with Section 172 of the Companies Act 2006, and continues to have regard for:

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

By considering the Group's purpose, vision and values together with its strategic priorities and having a process in place for decision making, we aim to make sure that our decisions are consistent and appropriate in all circumstances. We delegate authority for day-to-day management of the Group to the Executive Board and then engage management in setting, approving and overseeing execution of the business strategy and related policies. Board meetings are held monthly at which the Directors consider the Group's activities and make decisions.

The disclosures set out below are some examples of how the Board has 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 with its stakeholders.

Engagement with Stakeholders

Shareholders

Constructive engagement with our shareholders supports the future success of our business. The Board is committed to an open dialogue and fair and equal treatment of all shareholders to ensure that shareholders are kept up to date with strategy and business performance. The Board receives regular updates on shareholder engagement and analyst commentary, and receives presentations from corporate brokers on investor perception. The Board also takes advice and guidance from its advisers on what is important to shareholders in planning all communications. This ensures that all communication addresses any emerging key topics and provides sufficient information about the Group to reassure our shareholders that the Group continues to be in a strong position and remains a good investment opportunity. Knights' CEO and CFO have a full programme of engagement with shareholders and presents to the Group's largest shareholders, as well as sell-side analysts, following the release of the full and half year results. The CEO and CFO also meet regularly with individual shareholders.

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, with all Directors being available to answer questions.

Employees

As a people business, our employees are at the heart of everything that we do and every decision that we make. The Board recognises that delivery of the Group's strategy requires strong employee engagement, and we pride ourselves on having an open and honest relationship with our workforce, empowering them to have their say, whilst ensuring they remain supported. The Board continuously monitors our culture to ensure that it is a positive environment which allows our employees to develop and grow. In order to achieve continuous engagement:

- the Group holds regular visits and meetings across all offices where our CEO and leadership team meet colleagues to discuss key drivers for the business;
- the Group holds an annual conference to present the results, vision and plans and at which employees are encouraged to have an open Q&A with the CEO with nothing being off limits; and
- the Board meets with various members of the leadership team throughout the year, through presentations at Board and Committee meetings and visits to offices to discuss the challenges and opportunities affecting the stakeholders and strategy of the business.

See page 32 for details of the results of the employee NPS programme undertaken during the year.

Regulators

The Group continues to work hand in hand with its regulator, the Solicitors Regulation Authority ("SRA") and its complaints handling body, the Legal Ombudsman, to ensure 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 SRA and, as an AIM listed company, the Group is in regular contact with our Nominated Advisor and the Financial Conduct Authority.

Clients

Our clients' needs are considered at every level of the business, from the Board to our office hosts. Knights takes a proactive approach to communicating with clients, with the CEO and members of the leadership team meeting existing and potential clients regularly, to maintain our strong collaborative working relationships. Regular feedback is given to the Board on the outcome of those client reviews to ensure that the business consistently considers opportunities to improve the client experience whilst maintaining its excellent responsive standards of advice. Nurturing existing client relationships and new client opportunities is central to one of the Group's strategic priorities, organic growth.

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 our supply chain. The Group also aims to conduct itself to the highest standards and pay all invoices promptly. Our collaborative approach ensures all parties have a shared long-term objective of working together, reducing risk, maintaining high standards of business conduct and delivering to specific time and cost parameters. 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 we operate, and is detailed on pages 36 - 38 of this report. Detailed updates on this strategy and associated programmes of work are regularly provided to the Board.

Decision-making

Acquisitions and Disposals

The Group acquired two law firms during the year, providing additional scale, practice areas and presence in the South of England in order to allow it to deliver its strategy to continue to build the leading premium, fully collaborative legal and professional services business in the UK. The acquisitions provide enhanced revenue generation and new platforms for organic growth 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 in conducting its due diligence also considered how each acquisition would fit with the culture of the business and the long-term value creation strategy of the wider Group.

The Group also disposed of Home Property Lawyers Limited in the period, a volume conveyancing business which had been part of the Langleys acquisition that completed in the prior year. Prior to completing the disposal, the Board considered how resources may be diverted to deal with non-core legal practice areas if the business had been retained and the impact that this would have on value creation and wider strategy of the Group.

Dividend

The Board declared an interim dividend of 1.53p per share in January 2023 and recommended a final dividend of 2.50p per share in July for the year ended 30 April 2023. In arriving at this decision the Board considered both the cash position of the business and shareholders' interests. The Board considered that the business' cash reserves were sufficient to ensure the continued ability to meet all of its obligations and its acquisition and investment strategy for the future.

Approval of the Budget

The Group's business plan is to drive sustainable growth in the long term, which is in the interests of all of its stakeholders. The Board has paid close consideration to this objective in establishing and approving the annual budget and taking measures to continue to maintain excellent levels of cash collection and lock-up days, and to obtain the best interest rates achievable in light of the wider economic environment. Given the rapidly changing macro-economic climate, the Board has considered the impact of external factors on the Group's financial performance and ability to deliver for its stakeholders. The Group has no over reliance on any practice area, professional or individual client; has significant headroom in its banking facilities and therefore the Board considers the Group is well placed to continue to deliver a high standard of client service, maintain strong relationships with our suppliers whilst continuing to focus on minimising the environmental impact of the Group.

Employee Value Proposition

During the year, the Group developed its employee value proposition (**'EVP'**). The Group recognises that, as a fast-growing and maturing business, it is important to articulate our commitment and promise to our employees with an EVP aligned to the Group's strategy, guiding vision and working philosophy.

Our EVP is built around a simple, singular statement which captures the essence of our unique culture:

"One Team with you"
A key part of our EVP is remuneration and benefits. This year we conducted a full salary review and also introduced the Knights Retail Benefits Scheme offering retail and leisure discounts to all employees helping offset increased costs of living.

Non-financial and sustainability information statement continued

The framework through which Knights provides transparency on how it operates in line with current regulations is set out in the Corporate Governance report on pages 74 - 79 and in the Principal Risks and Uncertainties report of pages 61 - 69.

Knights also recognises that better corporate behaviours provide improved long-term returns and therefore ESG is a key focus for the Board. Our ESG commitments and metrics are set out on page 31.

In the last year, we have developed our approach to how climate related risks impact our governance, strategy and risk management and have disclosed our approach and current positioning relating to climate related issues in accordance with the Task Force on Climate-Related Financial Disclosures (**TCFD**) on pages 40 - 45.

The table below summarises our Non-Financial and Sustainability Information Statement, prepared in order to comply with sections 414CB and 414CA of the Companies Act 2006. A description of the business model and strategy as well as the non-financial KPIs relevant to our business are set out in the Strategic Report on pages 14 - 29.

Requirement	Where to find further information	Page number	Relevant policies if applicable
Environmental Matters	Looking after the environment	32	ESG
	Climate related financial disclosures regulations 2022 statement	40 - 45	
Employees	Investment case	4	Health & Safety Policy
	Business model	14 - 15	Training Policy
	Caring for our people and communities	32 , 36 - 38	Diversity & Inclusion Policy
	Section 172 statement	48	Conflicts of Interest and Related Parties Policy
			Whistleblowing Policy
Society and communities	Caring for our people and Communities	32 , 36 - 38	Corporate and Social Responsibility Policy
			4 Our Community
Respect for human rights	Managing our business for the long term	34	Modern slavery policy
	Section 172 statement	48	Procurement Policy
Anti-bribery and corruption	Managing our business for the long term	34	Anti-bribery and Corruption
	Section 172 Statement	48	Anti Money Laundering Policy
	Audit Committee Report	80 - 83	Whistleblowing Policy

Financial review

I am pleased to report a year of profitable, cash generative growth. Despite challenges relating to current macroeconomic uncertainty, the subsequent impact on business confidence and the impact of slightly higher fee earner attrition than expected, we have delivered strong growth in revenues and underlying profits.

Kate Lewis
Chief Financial Officer

Two complementary acquisitions during the year, and good development and growth within certain service lines, increased the diversification of the Group's revenue.

We continued to invest in our business to provide a sustainable base for continued revenue growth, and have managed our costs and treasury resources to deliver increased profitability in the year.

During the year, the Group completed the disposal of Home Property Lawyers Limited ('HPL') which was acquired as part of the Langleys acquisition in FY22 but was non-core.

We continue to deliver excellent cash conversion, which has resulted in a strong Balance Sheet and significant headroom within our banking facilities to fund organic growth and acquisitions.

With interest rates reverting to historic norms, we have seen a noticeable increase in the interest income earned on client monies, net of interest paid out to clients. We fully expect this to continue in the current year.

Financial results

	Total Group Year ended 30 April 2023 £'000	Total Group Year ended 30 April 2022 £'000	% change
Revenue	**142,080**	125,604	13.1%
Other operating income	**6,718**	1,270	429.0%
Staff costs	**(88,412)**	(76,863)	(15.0%)
Other operating charges	**(26,539)**	(22,077)	(20.2%)
Impairment of trade receivables and contract assets	**(468)**	(498)	6.0%
Underlying EBITDA	**33,379**	27,436	21.7%
Underlying EBITDA %	**23.5%**	21.8%	
Depreciation and amortisation charges (excluding amortisation on acquired intangibles)	**(8,175)**	(6,963)	(17.4%)
Underlying finance charges	**(3,661)**	(2,364)	(54.9%)
Underlying finance income	**52**	22	136.4%
Underlying profit before tax	**21,595**	18,131	19.1%
Underlying profit before tax margin	**15.2%**	14.4%	
Underlying tax charge (excluding impact of non-recurring deferred tax)	**(4,304)**	(3,709)	(16.0%)
Underlying profit after tax	**17,291**	14,422	19.9%
Basic underlying EPS (pence)	**20.20p**	17.23p	17.2%

Revenue

Reported revenue for the year is £142.1m compared to £125.6m in FY22, an increase of 13.1%.

Of this increase, £8.8m was from acquisitions made during the financial year and £8.3m represents the full year impact of acquisitions made part way through FY22. The disposal of HPL in July 2022, which was part of the Langleys acquisition in FY22 has resulted in a decrease in revenues of £0.4m year on year, with the balance of this movement being due to organic revenue decline of £0.2m (0.1%).

Organic revenues

The challenges associated with the COVID-19 during FY22 pandemic were followed in FY23 by political and economic uncertainty, as well as higher interest rates, which have impacted business confidence in certain areas. The diversity and resilience of our business has meant that despite a reduction in instructions in some transactional areas of the business such as Residential Property and M&A transactions, there has been growth in other areas, less impacted by the macro-economic environment, such as Private Wealth, CL Medilaw (our specialist clinical negligence team) and our volume re-mortgage business, Integrar, which have performed strongly in FY23, resulting in broadly flat overall organic growth for the Group.

Our organic growth for the year was also impacted by the strategic decision to exit the volume debt recovery business in FY22 and higher-than-expected staff churn in an acquisition completed in FY20. The effect of these factors, which negatively impacted organic growth by circa 4.5%, has now worked through, and the Group is well placed to deliver good organic growth in the future.

Revenue from acquisitions

Acquisitions completed during FY22

The acquisitions of Keebles LLP, Archers Law LLP and Langleys LLP completed during FY22. These acquisitions are performing ahead of expectations with combined revenues of £23.1m in FY23. We typically budget to retain 80% of acquired revenues, whereas these acquisitions have delivered 98% of acquired revenues in the financial year (after adjusting for the strategic sale of the HPL business from Langleys and £2.5m of non-core Legal Aid, Personal Injury, volume debt and conveyancing work from Keebles).

Acquisitions completed during FY23

During the year, the Group acquired Coffin Mew LLP, Globe Consultants Limited, and Meade King LLP. These acquisitions have contributed £8.8m of revenue in the period, as anticipated and initial integration has gone well. The New Homes business within the Coffin Mew acquisition has been impacted by the macro-economic environment and a slowdown in mortgage approvals meaning this acquisition is currently delivering c 70% of acquired revenue, slightly lower than the 80% we would typically assume. However, the business is well-integrated, and it is anticipated that revenues will return to expected levels as the housing market improves. The Meade King acquisition in Bristol is performing particularly well with current run-rate revenue being marginally above acquired revenue.

As well as driving acquisition revenues, these acquisitions are also proving to be an excellent platform for future organic growth across the business with several new partner hires already made into the acquired offices.

Staff costs

Total staff costs as a percentage of revenue were 62.2% for the year (FY22: 61.2%) reflecting the impact that the challenging economic environment has had on revenue in some areas and the continual investment in management and support staff to create a sustainable base for growth going forward.

Direct staff costs

Fee earning staff costs have increased to 51.5% of revenue (FY22 50.7%), reflecting our continuing investment in high quality senior recruits who bring client relationships and networks. This has been impacted by some challenges associated with a softening in productivity due to macroeconomic conditions. This also includes investment in 17 partner and senior associate recruits in the second half of the financial year, which although a net cost to the business in FY23, are expected to generate organic growth in the next financial year due to the typical lag in achieving full run rate revenues.

Support staff costs

Support staff costs increased marginally to 10.7% of revenue in the year, compared to 10.5% in the prior year reflecting our investment in two additional Client Services Directors to manage the growing business.

Our return to office-based working has also required investment in our team of Office Hosts and administrators to manage the offices. As we continue to develop our IT infrastructure further to maximise opportunities and efficiencies in the business, we have also invested in additional in-house IT capability.

Other operating charges

Overall, other operating charges have increased to 18.7% of revenue (FY22: 17.6%) as more colleagues returned to work in our offices and the easing of COVID-related restrictions has allowed increased networking and collaboration across our 23 offices, including our first, in person, all staff annual conference since the pandemic. As we continue to invest in the future growth of the business, there has also been renewed focus on business development activity, including attendance at overseas events for the first time in a number of years. The cost base is now considered to be at a normalised post-COVID run rate.

Depreciation and amortisation charges

Depreciation and amortisation charges (excluding amortisation on acquired intangibles) increased marginally to 5.8% of revenue (FY22: 5.5%) reflecting increased depreciation due to capital expenditure in FY22 and the expanded office network as a result of acquisitions, increasing the depreciation on right of use ('ROU') assets. FY23 has been a year of consolidation. During the year, and post year-end we have identified several opportunities to reduce our office capacity by subletting excess space. This will allow us to 'right-size' parts of our property portfolio and leverage the portfolio as we grow to enable the Group to benefit from some margin improvement in FY24, with the full benefits being achieved in FY25.

Other operating income

Other operating income has increased to £6.7m from £1.3m, primarily due to increased interest income earned on client monies held as a result of higher interest rates, net of interest paid out to clients.

Financial review continued

Underlying profit before tax (PBT)

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

Underlying profit before tax has been calculated as an alternative performance measure (see note 37 of the financial statements) to provide a more meaningful measure and year on year comparison of the profitability of the underlying business.

	FY23 £'000	FY22 £'000
Profit before tax	**11,529**	1,056
Amortisation (excluding computer software)	**3,441**	3,815
Non-underlying costs (net of gain on disposals and finance costs)	**6,625**	13,260
Underlying profit before tax	**21,595**	18,131

Total Group underlying profit before tax has increased 19.1% to £21.6 million (FY22: £18.1m).

The underlying profit before tax margin increased to 15.2% from 14.4% last year, benefitting from an increase in other operating income as a result of increased interest income earned on client monies held, due to higher interest rates. This increase in interest receivable more than offsets the increase in interest charges on Group borrowings which has increased our finance charges by £1.3m (54.9%) compared to the prior year.

Reported profit before tax (PBT)

Reported profit before tax for the year has increased to £11.5m (FY22: £1.1m) reflecting increased profit in the underlying business and reduction in non-underlying costs from £13.3m to £6.6m in the period. Of the £6.6m of non-underlying costs, £4.4m (FY22: £6.3m) relates to the contingent consideration element of the purchase cost of acquisitions recognised in the Statement of Comprehensive Income in accordance with IFRS accounting conventions, with the balance relating to one-off redundancy, transaction and other costs offset by the gain of £0.3m from the sale of HPL.

Earnings per share (EPS)

Basic EPS in the year increased to 9.28p from a loss of 3.02p in FY22. To aid comparison of EPS on a like for like basis, underlying EPS has also been calculated based on underlying PAT. The underlying EPS has increased by 17.2% to 20.20p in FY23 (FY22: 17.23p). The weighted average number of shares used to calculate the undiluted EPS in the year to 30 April 2023 was 85,597,833 (FY22: 83,717,952).

Considering the dilutive impact of potential share options, the basic Diluted EPS for FY23 is 9.19p (FY22: loss of 3.02p). Underlying Diluted EPS has increased by 16.7% to 20.00p (FY22: 17.14p).

Corporation tax

The Group's tax charge for the year is £3.6m (2022: £3.6m), made up of a current corporation tax charge of £4.1m (2022: £1.5m), partially offset by a deferred tax credit of £0.5m (2022: deferred tax charge of £2.1m). The increase in the current tax charge relates mainly to the increase in pre-tax profits in the year and also the increase in the corporation tax rate to 25% (from 19%) in April 2023.

The deferred tax credit principally arises due to: the unwinding of the benefit of significant capital allowances claimed in FY22 due to the higher level of capital expenditure in FY22, and the availability of the capital allowance super-deduction and the annual investment allowance; a one-off credit in relation to deferred tax on acquisitions; offset by the deferred tax impact on lapsed share schemes and an IFRS16 tax adjustment.

The total effective rate of tax is 31% (FY22:340%) based on reported profit before tax. The effective tax rate in FY22 was adversely affected by the impact of increasing the rate used to calculate the deferred tax to 25% from 19%. The effective rate of tax on the underlying profit of the business is 20% (FY22: 21%).

As the basic corporation tax rate has increased from 19% to 25% from April 2023, we expect Group underlying tax rates to increase by a similar percentage in FY24.

The net deferred taxation liability increased to £8.4m (FY22: £8.3m) with the deferred tax credits highlighted above offsetting increases in provisions from acquisitions and IFRS 16 leases.

Dividend

The Board continues to adopt a progressive dividend policy, balanced with its commitment to continue to reinvest the profits of the Group to fund future strategic growth plans. Subject to approval at the Annual General Meeting in September 2023, the Board proposes a final dividend for the year of 2.50p per share representing a dividend of circa 20% of post-tax profits for the year. This, together with the interim dividend of 1.53p per share brings the total dividend in respect of FY23 to 4.03p per share (FY22:3.50p), an increase of 15%.

Balance sheet

	30 April 2023 £'000	30 April 2022 £'000
Goodwill and intangible assets	**88,021**	82,172
Right of use assets	**38,200**	40,663
Working capital	**48,404**	44,302
Other net liabilities	**(2,833)**	(3,028)
Lease liabilities	**(44,916)**	(46,528)
Assets held for resale	**–**	635
	126,876	118,216
Cash and cash equivalents	**4,045**	4,227
Borrowings	**(33,265)**	(33,153)
Net debt	**(29,220)**	(28,926)
Deferred consideration	**(4,849)**	(3,631)
Net assets	**92,807**	85,659

The Group's net assets as at 30 April 2023 increased by £7.1m (FY22: £3.0m) to £92.8m reflecting new equity issued for acquisitions and the profit for the year, net of dividends paid in the period. The key movements in the Balance Sheet are discussed in more detail below.

Assets held for resale

The assets held for resale as at 30 April 2022 related to the HPL business which was sold during the year.

Goodwill and intangible assets

Goodwill and intangible assets included £28.1m of intangible assets relating to brand and customer relationships for current and prior year acquisitions. Purchased computer software accounted for £0.2m with the remaining balance of £59.7m relating to goodwill from acquisitions.

The Board carries out an impairment review of goodwill each year to ensure the carrying value in the financial statements is supportable. The value in use of the goodwill was calculated using a number of different scenarios, some of which assumed a considerably more negative 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 2023, the Board is satisfied that the goodwill was not impaired.

Working capital

Working capital is calculated as follows:

	30 April 2023 £'000	30 April 2022 £'000
Current assets		
Contract assets	**38,215**	31,777
Trade and other receivables	**31,087**	32,309
Corporation tax receivable	**152**	1,815
Total current assets	**69,454**	65,901
Trade and other payables	**20,832**	21,362
Contract liabilities	**218**	237
Total current liabilities	**21,050**	21,599
Net working capital	**48,404**	44,302

Net working capital has increased to £48.4m at 30 April 2023 (April 22: £44.3m), an increase of £4.1m (c.9%). Based on run-rate revenues for FY23 of £146m and £132m for FY22 (taking account of the full year impact of acquisitions) working capital represents 33.1% of revenue in FY23 compared to 33.5% in FY22.

Although net working capital has reduced as a percentage of revenue, the value of contract assets in the year has increased to 26.2% of run rate revenue (FY22: 24.1%).

The reason for this increase is mainly due to the growth of our CL Medilaw business. Due to the time taken to convert these matters given the nature of such cases and ongoing delays in the court system, this has resulted in an increase in total work in progress in this area to £17m (FY22: £13m).

For the remainder of the business, work in progress remains a comparable percentage of revenue as last year.

The management of working capital is a key performance indicator for the Group, with strong controls and systems in place to monitor the level of receivables and work in progress across the business. The number of lock up* days (the time taken to convert a unit of time incurred into cash) continues to be a key focus for the Board, Client Services Directors and wider management team. As at 30 April 2023 lock up was 87 days (April 22: 86 days) broken down as 30 debtor days and 57 WIP days (April 22: 31 and 55 days).

* See Glossary on pages 146 - 149.

Financial review continued

The bad debt charge for the year has decreased slightly to 0.3% of turnover (FY22: 0.4%) reflecting the strong controls over debt collection in place across the Group.

Right of use assets and lease liabilities

The right of use assets capitalised in the Statement of Financial Position represent the present value of property, equipment and vehicle leases. The decrease in right of use assets during the year to £38.2m (FY22: £40.7m) was the net result of an increase in assets of £4.2m relating to new leases acquired through acquisitions, less disposals of leases with a value of £1.0m and depreciation of £5.7m for the year.

The lease disposal predominantly relates to the sublease of part of one office related to the sale of the HPL business.

The lease liabilities represented the present value of the total liabilities recognised in respect of the right of use assets. The decrease in lease liabilities during the year to £44.9m (FY22: £46.5m) reflected lease liabilities acquired with acquisitions offset by the disposals of leases and repayments made in the period.

The sublease mentioned above has also resulted in the Group recognising a lease receivable of £1.0m in the Statement of Financial Position, representing the total present value of amounts receivable under the sub-lease.

Cash conversion*, net debt, financing and leverage

Cash generation continues to be a key focus for management. The Group measures cash conversion by comparing the free cash flow from operations as a percentage of its underlying profit after tax.

Due to a continued focus on management of working capital and lock up, the Group has delivered strong cash conversion of 117% (2022: 109%) demonstrating robust cash controls.

Cash generation in FY23 benefited from the corporation tax receivable of £1.8m at the end of FY22. Excluding this, cash conversion for the year would be 107%.

Cash Flow

	FY23 £'000	**FY22 £'000**
Underlying profit before tax	**21,595**	18,131
Depreciation and amortisation	**8,175**	6,963
Change in working capital	**(4,458)**	(2,985)
Net finance charges	**3,609**	2,068
Cash outflow for IFRS 16 leases	**(6,728)**	(5,302)
Movement in provisions and other sundry items	**510**	883
Cash generated from underlying operations (pre-tax)	**22,703**	19,758
Tax paid	**(2,424)**	(4,095)
Net cash generated from underlying operating activities	**20,279**	15,663
Underlying profit after tax	**17,291**	14,422
Underlying cash conversion	**117%**	109%

This strong cash generation in the year has resulted in net debt of £29.2m at the year-end (30 April 22: £28.9m) despite a cash outlay of £11.4m relating to consideration for acquisitions, along with deferred and contingent consideration paid for acquisitions in prior years. A further cash outlay of £0.4m for debt repaid from acquisitions in prior years, results in a total cash outflow for acquisitions of £11.8m (net debt £11.4m).

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

	£m
Net debt as at 30 April 2022	**28.9**
Deferred and contingent consideration paid	5.1
Consideration paid for acquisitions in the year (including acquired debt and cash)	6.3
Receipt from disposal of subsidiary (HPL)	(1.1)
Non-underlying costs paid	3.1
Interest on borrowings	2.1
Capital expenditure	1.9
Dividends paid	3.1
Other net cash (inflows) from underlying operating activities	(20.2)
Net debt as at 30 April 2023	**29.2**

* See Glossary on pages 146 - 149.

The Group has a revolving credit facility ('RCF') of £60m committed until October 2024. Interest is payable on the loan at a margin of between 1.65% and 2.40% above SONIA dependent on the current level of leverage. For banking purposes our leverage at the year-end was 1.18 against a covenant of up to 2.5. At this low level of leverage our interest margin is 1.85% above SONIA and we have headroom of over £30m in our RCF facility giving significant headroom to continue to support the growth strategy into 2024 through organic recruitment and strategic acquisitions.

Due to the net inflow of interest earned on client monies held, any future increases in interest rates would result in increased profits and cashflows based on current arrangements in place.

Capital Expenditure

Capital expenditure during the year was £1.9m (FY22: £2.5m) excluding right of use assets as the Group continued to invest in its systems and premises to expand capacity and ensure staff continue to benefit from a high-quality working environment. The main investment during the year was in IT equipment and systems with c. £0.2m of this relating specifically to acquisitions completed in the year.

Acquisitions

During the year we signed and completed three acquisitions. The table below summarises the net impact of these acquisitions on cashflows during the year and in future years. This shows the impact of consideration payable net of any cash in the acquired businesses.

The table also shows the net cash impact of the two acquisitions post year end of Baines Wilson LLP which completed on 2 June 2023, and St James' Square which completed on 16 June 2023.

Financial year ended	Acquisition of subsids (net of acquired cash) £m	Repayment of debt acquired with subsids £m	Contingent & deferred acquisition payments £m	Net cash impact of acquisitions pre year end £m	Net cash impact of acquisitions post year end
2023	**6.0**	**0.7**	**5.1**	**11.8**	**–**
2024	–	0.2	6.2	6.4	2.9
2025	–	0.1	4.7	4.8	1.0
2026	–	0.1	1.2	1.3	0.9
2027	–	–	–	–	0.3

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

Summary

Results for the year to 30 April 2023 reflect a year of acquisitive growth, consolidation and building on our core business platform. Although overall organic growth was flat, normalisation after one-off factors such as strategic exits from non-core service lines and higher than expected churn, together with strong organic growth in certain areas of the business and investment in recruitment and business development, place the Group in a strong position to leverage costs as the business continues to grow.

We have maintained a strong Balance Sheet and have significant headroom within our existing banking facilities to fund further growth both organically and through acquisitions.

Kate Lewis
Chief Financial Officer
7 July 2023

Key performance indicators

The management team 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 by the Executive and Group Board.

The financial indicators are generally calculated based on underlying results excluding any one-off transactional and acquisition related costs as these underlying KPIs provide a more meaningful comparison of the key drivers of the Group's financial success.

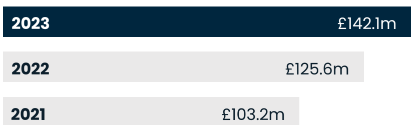
The overarching focus of the Board is on overall growth in fee income and profitability, with a view to improving the profit margins achieved across the business whilst still maintaining a well invested business with a strong management and support function able to meet its evolving needs. With a continuing strategic focus on building a high quality business, delivering a premium, profitable service to a high quality client base, the Executive Directors review all work streams on a continual basis, taking action to move away from any areas that are not profitable or aligned with the Group's overall strategy. In these instances, there may be a short-term impact on reported revenue growth, necessary to achieve longer term strategic goals.

The key financial measures are discussed in more detail in the Finance report on pages 52 - 57.

Financial KPIs

Revenue

£142.1m

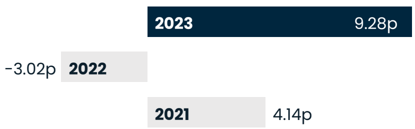


Profit before tax

£11.5m

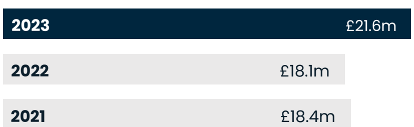
Basic EPS

9.28p



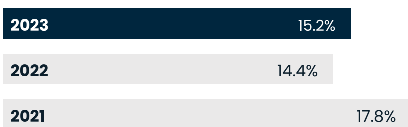
Underlying Profit before tax*

£21.6m



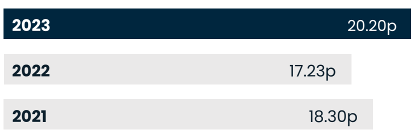
Underlying profit before tax margin

15.2%



Underlying EPS*

20.20p



* See Glossary on pages 146 - 149.

Gross profit

48.5%

2023	48.5%
2022	49.3%
2021	48.9%

The Group has a long-term Gross profit target of c 50%. This varies over time dependent on the number and cycle of new fee earning recruits into the business. In general new recruits into the business take 6 – 12 months to be at full run rate fee income. Therefore initially, new recruits have a negative impact on Group gross margin.

Cash conversion*

117%

2023	117%
2022	109%
2021	96%

The Group continues to deliver excellent cash conversion which is an important KPI for the board and has resulted in a strong balance sheet. This is discussed in further detail on pages 55 - 56 of the Finance report.

Net Debt

£29.2m

2023	£29.2m
2022	£28.9m
2021	£21.1m

Monitoring of net debt is key to the Group to ensure sufficient headroom to invest in its growth strategy. With an RCF facility of £60m the Group has headroom of circa £30m at the year end giving significant capacity for future investment.

Number of fee earners*

1,077

2023	1077
2022	1015
2021	852

This represents the average number of full time equivalent fee earners ('FTE') employed by the Group during the year. It includes all organic recruits, joiners via acquisition less leavers during the period.

Fee earner to support ratio*

3.9:1

2023	3.9 : 1
2022	3.5 : 1
2021	4.5 :1

The above represents the average ratio of fee earners to non fee earners during the year. This fluctuates during the year as we invest in Group support functions to provide a sustainable base for our growth and recruit organically into the business, leveraging the support function. It is also impacted by timing of acquisitions as we acquire businesses and then streamline support functions. As at the year end point ratios are FY23 3.7 : 1; (FY22 3.6 : 1.)

Fees per fee earner*

£131k

2023	£131k
2022	£124k
2021	£121k

Represents the average fees per fee earner across the whole Group and mainly reflects improvements in pricing across the business.

The reported figure include the results of Integrar (our volume remortgage business) which has a different operating model. Excluding this the fees per fee earner over the 3 year period are:

FY23 :£142k

FY22 :£126k

FY21 :£126k

* See Glossary on pages 146 - 149.

Key performance indicators continued

Debtor days*

30 days

2023	30
2022	31
2021	36

The exemplary financial management and credit control policies in place across the Group continue to deliver excellent results in maintaining low debtor days which in turn helps to generate the strong cash conversion year on year. Debtor days are measured on the year end trade receivables balance (excluding unbilled disbursements, expenses and VAT) as the number of days revenue, based on bills raised in the preceding periods.

Lock up days*

87 days

2023	87 days
2022	86 days
2021	89 days

Measures the total time to convert a unit of time spent on a matter into cash. It is discussed further in the Finance report on page 55.

The measure excludes WIP on clinical negligence, insolvency and ground rents matter types as these work to a different lock up profile than the core business.

Client NPS score*

+64

2023	+64
2022	+72
2021	+75

The NPS score measures the loyalty of our client base with a score from -100 to +100. A result of 64 shows very strong customer loyalty amongst the top 250 clients surveyed.

Employee NPS score*

+20

2023	+20
2022	+24
2021	+39

The NPS score measures the satisfaction of our employees by asking if they would recommend Knights as a place to work with a score from -100 to +100. Although a small reduction from FY22, a result of 20 is considered a good NPS score.

Carbon usage

0.59

2023	0.59
2022	0.47
2021	0.44

The above measures shows the intensity ratio of carbon usage per employee measured in tonnes of CO_2 per employee. Usage post pandemic is increasing as we return to more normalised working patterns and office usage. We continue to monitor our impact on the environment, ensuring that we are making continual improvements to our premises to work towards our ESG targets as set out on page 31.

* See Glossary on pages 146 - 149.

Principal risks and uncertainties

The principal risks and uncertainties outlined in this section reflect those risks that, in the opinion of the Board, might materially affect the Group's future performance, prospects or reputation. The Group uses a robust risk management framework, which provides control and oversight as we continue to scale our business. These controls include maintaining a comprehensive risk register which is reviewed bi -annually by the Board and regularly by the leadership team together with our incident reporting processes, in order to outline the key and emerging risks that the Group is exposed to, and any remedial actions required to mitigate such risks in a timely manner.

Risk Management Processes

The Executive Board, supported by the Group's general counsel, has management responsibility for risk and internal control. The Board sets our overarching risk culture and appetite and ensures that we manage risk appropriately across the Group. Investment, cyber security and regulatory risks are top priorities. At a functional level, each operational business function is responsible for preparing and maintaining their functional risk registers and, with the assistance of the risk team, identifying, assessing, managing and monitoring risks and reviewing emerging risks within their function. Each risk is assigned an owner through which ongoing activities, control measures and any actions related to that risk are updated whilst at all times applying the agreed risk appetite set by the Board. Given that the very nature of our business requires our lawyers to advise our clients on risk, our risk management culture is firmly embedded throughout our business with self-reporting mechanisms in place in each operational business function and amongst our lawyers which seek to ensure a second and third line of defence against emerging and existing risks to the business.

The nature of the Group's principal risks remains unchanged although changes to the net risk ratings are captured within the risk movement trends set out in the table below.

Principal Risk	Description	Mitigation	Risk Movement From Prior Year
Professional liability and uninsured risks	The Group provides, amongst other things, legal, tax, debt advisory 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 Groups' 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 has a good claims history overall.	—

Key

Increase Decrease No movement

Principal risks and uncertainties continued

Principal Risk	Description	Mitigation	Risk Movement From Prior Year
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. **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. **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 per cent this would be classed as a criminal offence and the SRA could force divestment or revoke the Licensed Body status of the Group.	The Group has a strong Compliance and Regulatory team which regularly monitors compliance with all necessary regulations. External advice is taken if required. The Board is updated on any regulatory developments and any re-assessment of risk to the business so that it can ensure that such matters are fully considered in all business and strategic decisions. 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 27001 and Cyber Essentials plus. Knights is in the process of seeking ISO27001 accreditation with this process due to be complete in April 2024. Knights Information Security 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 and Finance teams undertake regular audits of files and the group maintains robust processes to mitigate the risk of fraudulent transactions. The Compliance team works closely with the SRA to ensure there are no breaches and reviews shareholdings 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 and a note is included on the company's website explaining the issue in order to prevent a shareholder inadvertently exceeding the 10 percent threshold without seeking SRA approval.	—

Principal Risk	Description	Mitigation	Risk Movement From Prior Year
Operational Financial Risk	The key areas of operational financial risk for the Group like all professional services businesses include: (a) incomplete recording of time worked by professionals in the provision of services to clients, (b) incorrect valuation of contract assets (unbilled revenue), and (c) 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 earning professionals; 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.	—

Key

^ Increase	∨ Decrease	— No movement

Principal risks and uncertainties continued

Principal Risk	Description	Mitigation	Risk Movement From Prior Year
Personnel Risk	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 marketplace 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'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.	The Group invests heavily in working to attract high quality personnel with organic growth being a key focus for the Board. The Group 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 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 with regular all staff, office, team and one to one engagement. Employee contracts include restrictive covenant provisions to protect the business where possible. 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 the last year, the management team has been restructured with the promotion of Andrew Pilkington to COO and James Sheridan as Group M&A Director. Two additional Client Services Directors have also been added to the leadership team. Each Client Services Director is responsible either for the day-to-day management of two to three offices and integration of acquisitions within those offices, or has a sector specific focus with the objective of creating firmwide efficiencies within the work conducted in that sector and winning new work.	—

Principal Risk	Description	Mitigation	Risk Movement From Prior Year
Acquisition Risk	A key part of the Group's strategy is to expand the business through culturally aligned, earnings enhancing acquisitions. The Group could overpay for, fail to integrate, or not achieve the expected returns from an acquisition. The Group may also fail to identify potential acquisitions to support its growth strategy.	The Group has an experienced in-house acquisitions team with a strong track record that undertakes a robust due diligence process with expert external advice being sought where necessary. Warranties and indemnities are obtained from the sellers as appropriate. All acquisitions are discussed by the Board and are subject to detailed integration plans, implemented by dedicated project teams with progress monitored by the Board. The Board recognises that cultural integration is critical to the success of every acquisition and the full integration plan and acquisition handbook utilised by the Group has been under continuous review and refinement, incorporating learnings from each acquisition. All acquisitions are fully integrated onto the Group's Operating System as quickly as possible and learnings from each integration are captured to continuously improve the integration process for all stakeholders. Cultural integration of 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.	—

Key

Increase	Decrease	— No movement

Principal risks and uncertainties continued

Principal Risk	Description	Mitigation	Risk Movement From Prior Year
Macro and Micro Economic Environment Risk	Current uncertainty in the market as a result of: a. the impact of the war in Ukraine; b. general economic downturn and the cost-of-living crisis/inflation; c. the potential for disruptive technology driven innovation that could impact the competitiveness of current service offerings; and d. a large number of potential competitors within the legal and professional services market competing for the Group's professional staff and clients.	The Board believes its exposure to both macro and micro economic environmental factors is limited because: a. The Group has processes in place to continually monitor any exposure to countries with sanctions, and following such review is satisfied that exposure to Russia or Belarus is not of concern. The Group's operations are all based in the UK. b. Within the Group there is no reliance on any one practice area, client or professional, with the business not being focussed at a corporate transactional level. The management team and the Board review budgets each month with material variances being investigated, and this together with regular focussed conversations with clients, suppliers and key stakeholders help inform if and when cost saving measures are required and when it is appropriate to fix costs for any product or services that are anticipated to be impacted by inflation. Given the Group's regional base, and the fact that it offers competitive remuneration packages there is limited exposure to the significant wage inflation that has been experienced in London. c. On an ongoing basis, the Group seeks to be an innovation leader through its use of technology to create a competitive advantage. The Group's continued focus on cash collection results in it having good headroom to invest in technology and focus on creating efficiencies within the business. d. The Group expects that the number of law firms may decrease due to the economic downturn and 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 for future investment. Similarly, a slowdown in recruitment has taken place within other law firms as a consequence of the macro-economic uncertainty, stabilising the legal recruitment market. The Board believes that this positions the Group well to attract talent from potential competitors. The Board also believes that by maintaining its high-quality work and strong client base, lawyers will continue to be attracted to Knights' business model.	—

Principal Risk	Description	Mitigation	Risk Movement From Prior Year
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. Damage to the Knights brand could have a detrimental impact reputationally which ultimately could have financial implications for the Group.	Management has 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. 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 Boards strategy and external public relations advisers are engaged to assist where necessary. Whilst this area of risk has increased as a general consequence of its listing on AIM and the listed law firm market, this isn't specific to Knights. The Group continues to closely monitor press communication ensuring that it continues to respond quickly to press activity in line with the agreed strategy to mitigate any brand/reputational damage.	—

Key

Increase Decrease — No movement

Principal risks and uncertainties continued

Principal Risk	Description	Mitigation	Risk Movement From Prior Year
Information Systems and Data Security Risk	As a consequence of the complexity and speed of AI solutions it becomes harder to identify in an effective and timely manner existing risks which become enhanced as a consequence of new technologies. The Group is heavily reliant on its information technology systems for all day-to-day processes. A major IT system failure, a malicious attack, data breach, vulnerabilities created by AI or a virus could impact the ability of the Group to operate having both reputational and financial implications.	The Group's systems are supported by appropriately qualified and experienced individuals and third parties. External expert advice and support is sought when necessary. Critical systems failure and recovery are regularly tested, and no issues have been identified. The management team liaise regularly with their key suppliers to continue to develop and improve the Operating Systems utilised by the Group. External advisors undertake full regular penetration tests on the Group's systems and work collaboratively with the Group to ensure that the security and integrity of the Operating System is at its optimum level mindful of new and emerging technologies which may make traditional technology solutions subject to heightened risk. 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 and ransomware attacks in light of the war in Ukraine or the creation of new artificial intelligence solutions), 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 and results in regular monitoring and reporting.	^

Emerging Risks and uncertainties

The Group defines emerging risks as, generally external, new or unforeseen risks, that may affect the business in the longer term (over 5 years). The impact of the risk may be material to the Group but is currently difficult to quantify.

The Board continues to monitor the issues surrounding any emerging risks identified to ensure that the Group is taking a proactive approach to mitigating the impact of any of these risks.

Principal risk	Description	Mitigation	Risk Movement From Prior Year
Sustainability, Climate Change and reporting requirements	Focus on environmental, social and governance matters continues to increase and our business needs to be environmentally responsible and create shared value for all stakeholders to ensure sustainability and reinforce our values. Climate risk is a key priority for governments and organisations globally, and Knights recognises that it needs to play its part in reducing carbon emissions and its environmental impact. Although there are no significant revenue streams derived directly from energy and fuel markets, as the UK transitions to net-zero carbon emission economy by 2050, we need to closely monitor the impacts on our business to ensure there are no indirect impacts through client relationships and that our revenue streams remain sustainable.	The CEO and the Executive Board have overall accountability for Knights' climate and social responsibility agendas and recommends strategy to the Board. We align our business with reducing carbon emissions, and continually assess our approach to environmental risk and social responsibility which are embedded in our decision-making processes. We have multiple policies and processes governing our social responsibility strategy in place and we continually assess and evolve our strategy and working practices to ensure the best outcomes for stakeholders and the environment. During the year we implemented the new Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, requiring disclosures that are aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. We are in the process of completing a comprehensive assessment of carbon emissions across our value chain to assist in achieving our net-zero targets and make various carbon emission reductions – see page 31 for more details. We have reviewed and updated many of our environmental and social responsibility policies. ESG and climate were also embedded into our risk management framework.	

The strategic report and the information referred to herein was approved on behalf of the Board on 7 July 2023.

Kate Lewis
Chief Financial Officer
7 July 2023

Key

Increase Decrease No movement