Knights

Annual Report & Accounts
30 April 2023

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

Corporate Governance

Financial Statements

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	Underlying PBT*	Reported PBT
£142.1m +13% (2022: £125.6m)	£21.6m (2022: £18.1m)	£11.5m (2022: £1.1m)

Post tax profit/(loss)	Net debt	Underlying EPS*
£7.9m (2022: £(2.5)m)	£29.2m (2022: £28.9m)	20.20p (2022: 17.23p)

Reported EPS	Cash conversion*	Dividend per share
9.28p (2022: 3.02p loss)	117% (2022: 109%)	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.

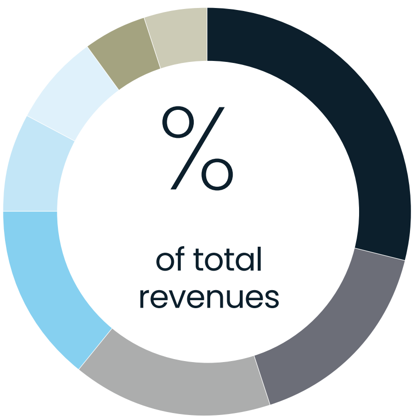
What we do

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.

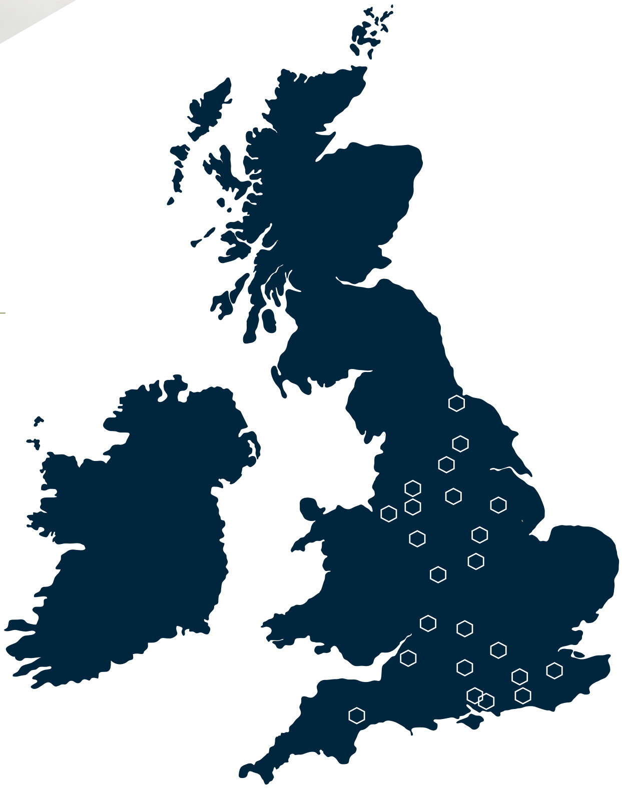
Dispute Resolution

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.

> 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

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.

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

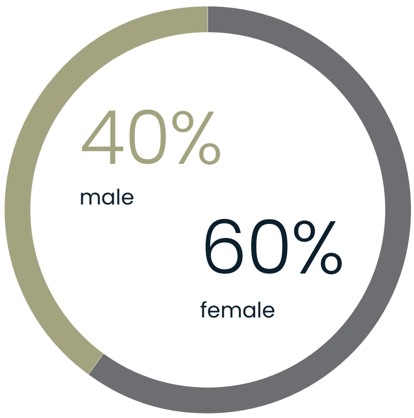
Independence

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.

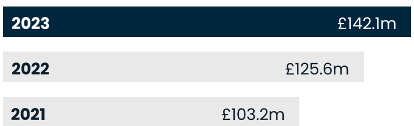
The overarching focus of the Board is on overall growth in fee income and profitability, with a view to improving the profit margins achieved across the business whilst still maintaining a well invested business with a strong management and support function able to meet its evolving needs. With a continuing 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

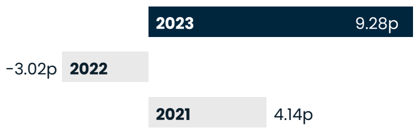


Profit before tax

£11.5m

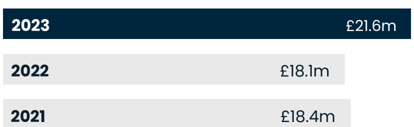
Basic EPS

9.28p



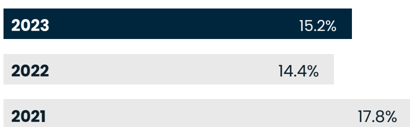
Underlying Profit before tax*

£21.6m



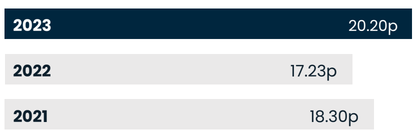
Underlying profit before tax margin

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

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Corporate Governance

Contents

Board of directors

David Beech
Chief Executive Officer

A corporate lawyer and former manager of a private equity fund, David joined Knights in 2011 with the vision to transform the business into the UK's leading legal and professional services business outside London. David acquired and remodelled Knights in 2012 with a clear strategy to transform the business into a growth platform.

Kate Lewis
Chief Financial Officer

Kate is a Chartered Accountant and has been a member of the ICAEW since 1996. After qualifying, Kate spent over 10 years as an Audit Manager at Baker Tilly and KPMG.

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

Balbinder (Bal) Johal
Non-Executive Chairman

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

Gillian Davies
Senior Independent Non-Executive Director

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

Jane Pateman
Non-Executive Director

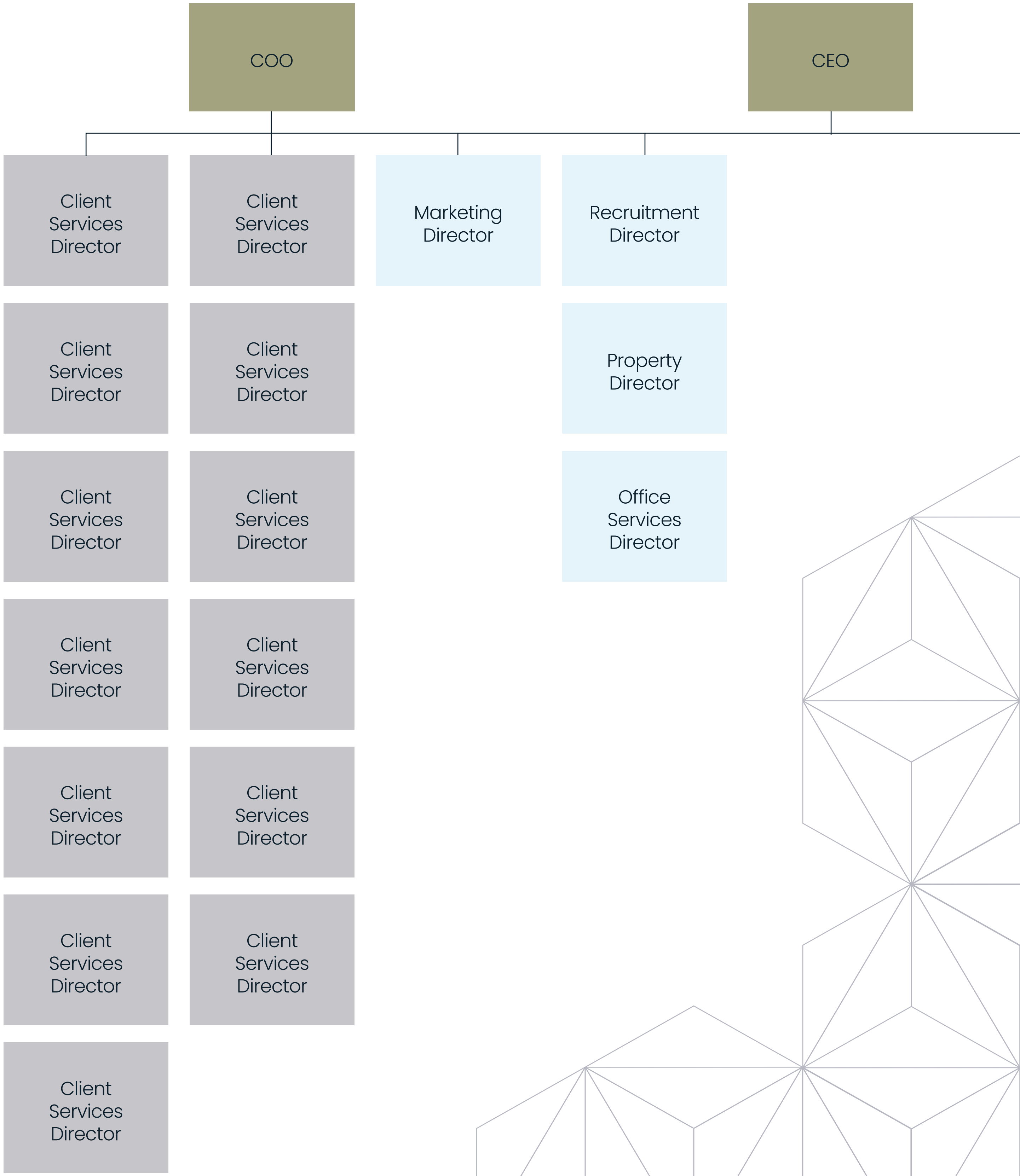
Jane is Group HR Director at Biffa plc. She has a strong track record in driving business benefits through the development and delivery of human capital strategies. During her 11 years at Biffa, she has provided significant support in delivering solutions during major growth periods, including during its IPO, as well as driving people and cultural integration for the multiple acquisitions Biffa has made in recent years.

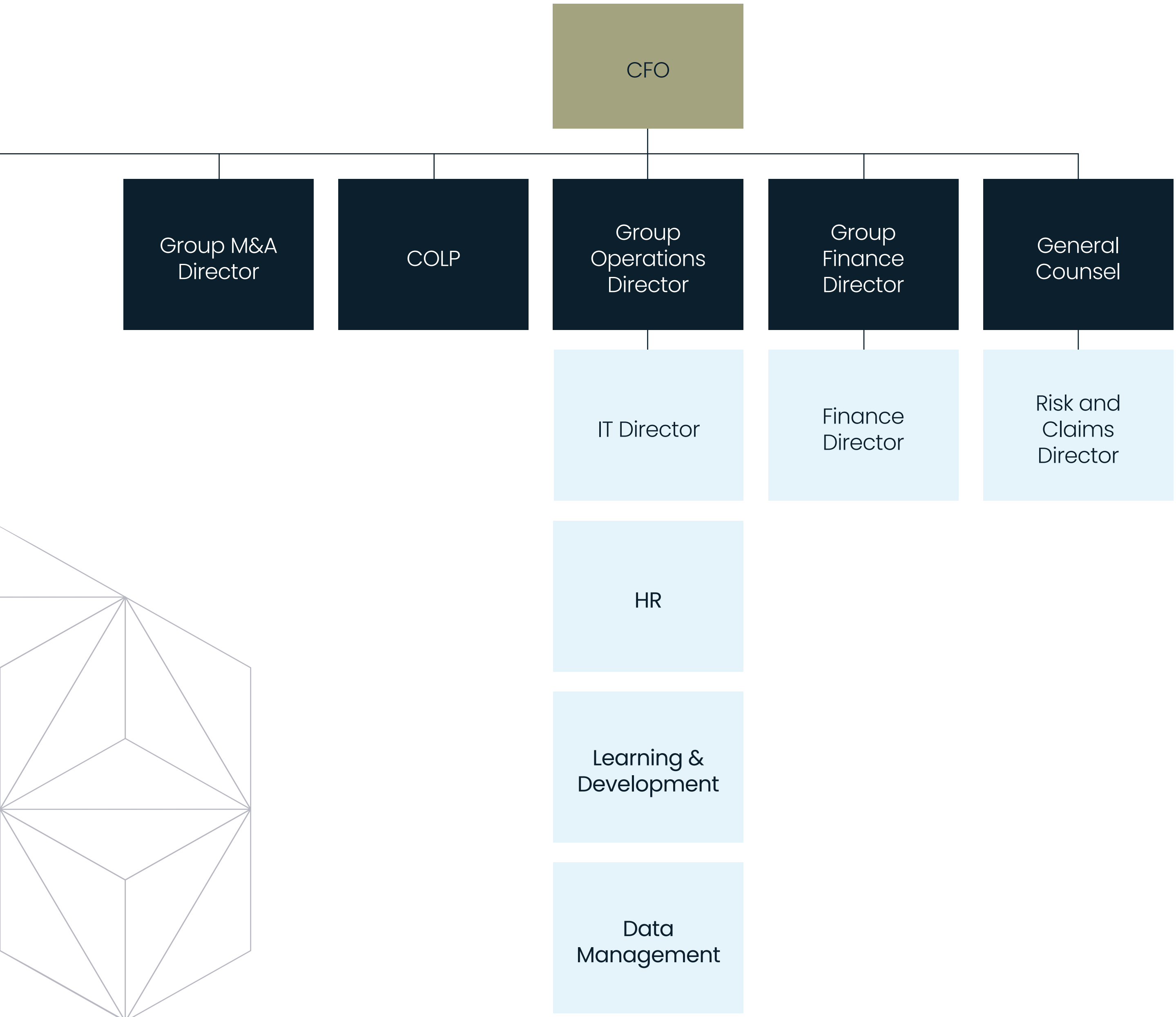
Key to Director skills

- Legal
- Finance and banking
- People
- Operational
- Governance Risk Management and Control
- Sustainability
- Strategy and M&A

Our leadership structure

Our Client Services Directors and Operations Directors work together as one team with the Executive Board to deliver against our strategy.




CFO
Group M&A Director
COLP
Group Operations Director
Group Finance Director
General Counsel
IT Director
Finance Director
Risk and Claims Director
HR
Learning & Development
Data Management

Corporate governance statement

Chairman's Introduction

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

Bal Johal
Non-Executive Chairman

Accountability to our stakeholders, including employees, clients, shareholders, regulators and suppliers, is central to our governance approach. In accordance with the AIM rules the Group has elected to comply with the principles set out in the Corporate Governance Code for small and mid-sized companies published by the Quoted Companies Alliance in April 2018 (the QCA Code) as the basis of its governance framework.

The underlying principle of the QCA Code is to "ensure the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term". As a Board, we are committed to providing the leadership required to ensure that the culture that is so integral to the success of the business is fully embedded across the Group. We work hard to foster an engaging, transparent and healthy corporate culture through open and honest dialogue and set out below how we continue to comply with the QCA Code.

	Governance Principle	Compliant	Explanation	Further reading
1	Establish a strategy and business model which promotes long-term value for shareholders	✓	Our strategy is to create the leading, premium, fully collaborative legal and professional services business in the UK. As a result of our strong cash collection we are able to continue to invest and seek to deliver this objective through both organic and acquisitive growth. In particular we continue to: – attract new talent (be that individuals or teams); – outsource from national and international firms; – increase productivity and efficiencies through better use of technology; – deliver enhanced cross-selling by offering additional service lines to existing clients; – win new business given the depth of experience of our team and relationships within the business; and – make strategic acquisitions.	See pages 16 - 17
2	Seek to understand and meet shareholder needs and expectations	✓	The CEO and CFO communicate regularly with shareholders, investors and analysts, including at our half-yearly and full year results roadshows. Feedback from investors is regularly delivered to the Board to ensure that it is at the heart of our strategy and decision making. The Board takes guidance from its advisers on what is important to shareholders in planning all communications. The Board believes the Annual Report and interim results and their associated presentations, provide the necessary information to allow investors to assess performance, business model and strategy and the full Board is available at each Annual General Meeting ('AGM') to communicate with shareholders.	www.knightsplc.com/company/investors/corporate-governance/

	Governance Principle	Compliant	Explanation	Further reading
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	✓	In addition to our shareholders, our clients, employees, suppliers, and regulators are our most important stakeholders. We engage with these communities via regular communications in our day-to-day activities, and via formal feedback requests. The s172 Statement provides detailed information as to our engagement with key stakeholders and can be found on pages 48 to 49. We also understand the importance of giving back to our communities and our ESG report on pages 30 - 39 refers to the role that we play in this regard.	See pages 48 - 49 and 30 - 39
4	Embed effective risk management, considering both opportunities and threats, throughout the organization	✓	The Board sets our overarching risk culture and the impact of any changes to the risk profile, driven by both macro and micro environmental conditions, ensuring that we manage risk appropriately across the Group. The Executive Board, supported by the Group's general counsel has management responsibility for risk and internal control with the Board completing a full review at least annually of the risk profile to consider any emerging risks or notable changes.	See pages 61 - 69
5	Maintain the Board as a well-functioning, balanced team led by the Chair	✓	The Board has three established Committees for Audit, Remuneration and Disclosure. The composition and experience of the Board is reviewed regularly by the Board, with external advice being obtained where required. Given the size and composition of the Board, the Board does not consider that a Nominations Committee is required.	See pages 74 - 79
6	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	✓	The Board is satisfied that its current composition includes an appropriate balance of skills, experience and capabilities, including experience of recruitment, people management, funding requirements and risk management. See page 71 for details of the board's principal skills. Where the Board considers that it does not possess the necessary expertise or experience it will engage the services of third party consultants as required.	See page 71
7	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	✓	The Board regularly considers the effectiveness and relevance of its contributions, any learning and development needs and the level of scrutiny of the Senior Management Team but at this stage has considered that internal review is sufficient given the size of the Board. This will be kept under continuous review.	See pages 78 - 79

Corporate governance statement continued

	Governance Principle	Compliant	Explanation	Further reading
8	Promote a corporate culture that is based on ethical values and behaviours	✓	As a regulated law firm, the Group is focused on promoting a strong ethical corporate culture. The Board implements a policy of equal opportunities in the recruitment and engagement of employees during the course of their employment and recognises the importance of honest and open feedback at all times to facilitate the growth of individuals and teams within the business. The Group prides itself on its culture, and maintaining this culture through consistent engagement with its staff is integral to the Group's success. The Group achieves this consistent messaging in a number of ways, including day-to-day management of teams by Client Service Directors and the operational directors, regular meetings with partners, all staff meetings and calls as appropriate. This regular engagement ensures that all staff are fully informed about any key developments. The collaborative management structure encourages engagement at all levels.	See pages 30 - 39 and page 50
9	Maintain governance structures and processes that are fit for purpose and support good decision making by the Board	✓	The Board is responsible for the Group's overall strategic direction and management and meet regularly to review, formulate and approve the Group's strategy, budgets and corporate actions, and to oversee the Group's progress towards its goals. The Group has a set of Reserved Matters for approval by the board which has been established and is regularly reviewed given the growth of the business.	See pages 78 - 79 and www.knightsplc.com/investors/corporate-governance
10	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	✓	The Group is committed to maintaining good communication and having constructive dialogue with its shareholders. Regular shareholder meetings are held with the CEO and CFO to discuss Group performance, particularly following publication of the Group's interim and full year results and any trading updates. Employees are also updated with all key developments within the business. In addition, a range of corporate information (including copies of presentations and announcements, and an overview of activities of the Group) are available on the Group's website.	www.knightsplc.com/investors

Board Activity

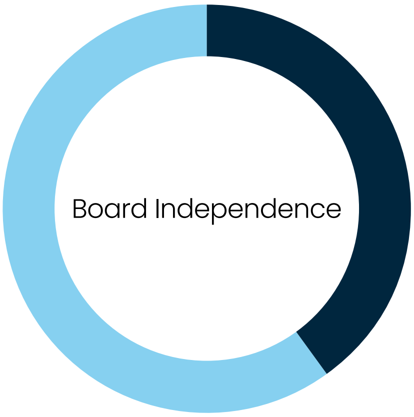
Strategy	– Reviewed the Group's strategy and vision and monitored performance of the business against that strategy. – Regularly reviewed the Group's operations, ensuring competent and prudent management in light of opportunities and challenges to the business. – Received regular presentations from Operations and Client Services Directors in order to understand trading and performance, the control of overheads, monitoring of risk, ensuring regulatory compliance and to understand trends and efficiencies that may be available to growth. – Reviewed, challenged and directed the acquisition strategy of the business. – Approved two acquisitions which completed during the year and monitored the execution and integration of those acquisitions. – Challenged and approved office refurbishments in order to promote the group's organic growth ambitions and create an environment for our employees and clients that reflects our strong collaborative culture. – Reviewed and approved revised reporting lines in the business following the departure of Richard King as Chief Operating Officer and encouraged the development of the maturing leadership team.
Finance	– Received regular financial performance updates from the CFO on the performance of the business, acquisitions and vertical reporting lines. – Approved the 2022 Annual Report and Accounts and Annual General Meeting (AGM) business, including the declaration of a half year dividend. – Approved 2023 interim report and trading updates. – Reviewed and approved the annual budget for 2023 and updates to factor in the two acquisitions completed within the year.
Governance and Risk Management	– Executive Directors undertook a roadshow at the half year and full year to update institutional shareholders and analysts on the business' performance. – Regularly reviewed feedback from investors and analysts and taken advice on communications with shareholders. – Approved the modern slavery statement and gender pay gap report for the year. – Undertook monthly reviews of compliance matters including any communications with regulators such as the ICO, SRA or FCA and healthy and safety matters. – Reviewed the risk appetite for the business and its management and controls.

Corporate governance statement continued

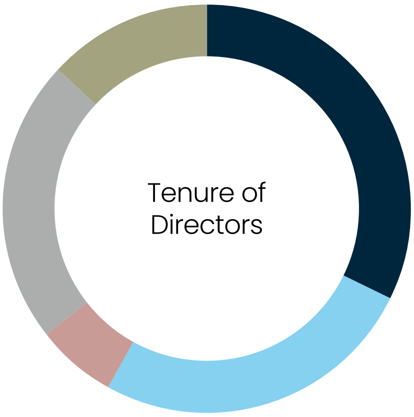
The Board comprises five Directors, two of whom are Executive Directors and three of whom are Non-Executive Directors, reflecting a blend of different experiences and backgrounds further details of which are set out on page 71.

Board Composition

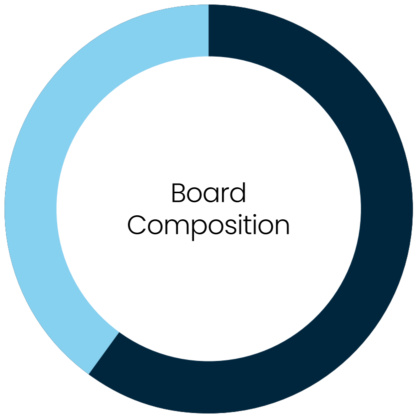
The Board believes that its composition brings a desirable range of skills and experience in light of the Group's challenges and opportunities as a public company, while at the same time ensuring that no individual (or a small group of individuals) can dominate the Board's decision-making.



Men	**2**
Women	**3**



David Beech	**10**
Kate Lewis	**8**
Gillian Davies	**2**
Balbinder Johal	**7**
Jane Pateman	**4**



Independent	**3**
Non-independent	**2**

The Group has established a clear division between the responsibilities of the Chairman of the Board and the CEO. The Chairman is responsible for the effective leadership and governance of the Board leading the Board's discussions and its decision-making and promoting a culture of openness and debate between Executive and Non-Executive Directors.

The CEO is delegated authority by the Board to lead the day-to-day management of the Group. This separation of responsibilities between the Chairman and the CEO, coupled with the schedule of matters reserved for the Board ensures that no individual has unfettered powers of decision-making.

Gillian Davies is the Board's Senior Independent Director, acting as a sounding board for the Chairman in seeking to achieve the strategy and the board objectives and is an intermediary for Non-Executive Directors and shareholders alike.

Meeting Attendance

Name	Board	Remuneration	Audit
Balbinder Johal	11/11	–	–
David Beech	11/11	1/3	–
Jane Pateman	10/11	3/3	4/4
Kate Lewis	11/11	1/3	4/4
Gillian Davies	11/11	3/3	4/4

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

There is regular communication between the Executive and Non-Executive Directors, including, where appropriate, updates on matters requiring attention prior to the next scheduled Board meeting. The Board's current practices also encourage the Non-Executive Directors to meet periodically without the Executive Directors.

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

Committees

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

Each Committee is comprised of the Non-Executive Directors (excluding the Chair) with Gillian Davies chairing the Audit Committee and Jane Pateman chairing the Remuneration Committee.

Each Committee has unrestricted access to employees of the business or external advisors, to the extent that they consider it necessary in relation to any specific matter under consideration. Both Committees have sought to utilise external advice with the Remuneration Committee liaising with FIT Remuneration Consultants LLP who have provided the Remuneration Committee with external remuneration advice, including providing advice on all aspects of remuneration policy for the Executive Directors. The Audit Committee has met with RSM, the Group's auditors, both with and without the presence of Executive Directors and members of the finance team.

The Group has elected not to constitute a dedicated nomination committee, instead retaining such decision-making with the Board as a whole given the size and nature of the Board's composition. The Board has used external advisors to introduce any other individuals with skills that the Board believes may be required in delivering its overall strategy.

Details of the reports of the Remuneration Committee and Audit Committee and their respective responsibilities can be found on pages 84 - 86 and 80 - 83 respectively of this Report.

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

Annual General Meeting (AGM)

The AGM of the Group will take place on the 26th September 2023 and the Notice of Annual General Meeting which includes the associated resolutions accompany this Annual Report.

Audit committee report

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported and reviewed.

Gillian Davies
Chair of the Audit Committee

Its role includes:

- monitoring the integrity of the financial statements (including annual and interim accounts and results announcements);
- reviewing the risk management and internal control systems, reviewing any changes to accounting policies;
- considering the impact of any new accounting standards;
- reviewing and monitoring the extent of any non-audit services undertaken by RSM UK Audit LLP ('RSM'); and
- oversight of the relationship with the external auditors and the quality of the audit completed.

Membership and attendance

Current members	Date appointed	Attendance at meetings during the year
Gillian Davies (Chair)	17 March 2021	4 of 4
Jane Pateman	14 January 2019	4 of 4

The external auditors, RSM UK LLP, are also in attendance at each meeting along with the Chief Financial officer. Senior members of the finance team also attend as appropriate. The Company secretary acts as Secretary to the Audit Committee and is in attendance at all meetings.

Dear Shareholders

As Chair of the Audit Committee (the 'Committee') I am pleased to present the Audit Committee Report for the year ended 30 April 2023. The report summarises the remit of the Committee, its key areas of focus for this financial year and the Group's relationship with its external auditors, RSM UK LLP.

The Committee met four times during the year, with meetings timed to coincide with the full year and half year auditing and reporting timeframes. The Committee has also held discussions with RSM, without Executive Directors being present, to discuss any issues arising from their audit work.

Duties

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

1 Monitoring the integrity of financial statements

The Committee reviewed both the interim and the annual financial statements as well as related results announcements made as part of their disclosure. This process included a review of any judgements made in preparing the results, ensuring sufficient attention was given to matters where significant estimation was involved. This includes revenue recognition, accounting for acquisitions, review of the carrying value of Goodwill and intangible assets and the use of alternative performance measures which are used to enhance shareholder's understanding of the Group's financial performance.

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

These judgements are as follows:

- **Revenue recognition policy**

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

Management use the expected outcomes as at the period end to establish the estimated value of ongoing contracts and compare to historic outcomes to ensure reasonableness.

Estimates are updated as work progresses and any changes in revenue recognition as a result of a change in circumstances is recognised in the Consolidated Statement of Comprehensive Income for that year.

In relation to any contingent matters, where the likelihood of success is less than highly probable, the value recognised in contract assets is further reduced to reflect this uncertainty.

The Committee considers that the approach adopted by management is prudent and minimises the risk of overstatement of income resulting in future revenue write-offs.

- **Accounting for acquisitions**

During the year the Group made two acquisitions. Accounting for these acquisitions involves an assessment of the allocation of purchase price, treatment of any deferred and contingent consideration, assessment of the requirement for any fair value adjustments, identification and valuation of the intangible assets arising, together with an estimation of the useful lives of each of these assets.

The fair value attributable to intangible assets arising on acquisition are recognised in accordance with IAS 38 Intangible Assets and is based on a number of estimates, including the long-term revenue growth rate and the related business and discount rate.

Having reviewed management's approach and the resulting accounting treatment of the goodwill and intangible assets, the Committee is satisfied that the approach adopted in the financial statements is reasonable and fairly represents the underlying transactions.

- **Goodwill and intangible assets impairment**

At the year end there is £88m recognised in the financial statements relating to goodwill and intangible assets from both current and prior year acquisitions. On an annual basis, management need to satisfy themselves that the carrying value of the goodwill is supportable by future expected returns from the Group. Management have completed a detailed impairment review considering future cash flows based on the Board approved three year plan and then applying prudent long term growth rates in order to calculate terminal values.

These cash flows are then discounted to give a value in use value which is then compared to the carrying value.

A sensitivity analysis has been prepared to determine the potential impacts of reasonably possible changes in the assumptions used for the value in use calculations.

Having reviewed management's impairment reviews, sensitivity analysis and conclusions in the carrying values of the goodwill and intangible assets in the financial statements, the Committee is satisfied that the carrying value of £88m is supportable and the assets do not need to be impaired with value in use calculations demonstrating considerable headroom.

- **Use of alternative performance measures**

The Board uses a number of alternative performance measures to assess business performance. A key focus of the Board is the underlying profitability of the business and therefore the Board uses measures based on underlying profitability of the Group, excluding one-off and non-underlying items to monitor the growth in underlying profitability. Net debt is also a key focus for the Board and the management of this within the Group's overall facilities.

The Audit Committee is satisfied that this is a reasonable measure to use to review profitability of the underlying business and all non-underlying costs are appropriately classified as non-underlying in the accounts with sufficient disclosures included to enable the alternative measures to be easily reconciled back to the Financial Statements.

Audit committee report continued

2

Risk management and internal controls

As described on pages 61 - 69 of the Strategic Report and pages 71 - 79 of the Corporate Governance Statement, the Board has established a framework of risk management and internal control systems, policies and procedures. The Committee is responsible for reviewing the risk management and internal control framework and for ensuring that it operates effectively. The Committee is satisfied that the internal controls currently in place are sufficient and operating effectively for a business of this size.

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

3

Changes to accounting policies

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

4

Going concern, business model and strategy

The Board reviews the Group's business model to ensure it aligns with the overall Group strategy and ensures that the forecast cash flows, liquidity and covenant compliance calculations demonstrate that the Group will continue as a going concern for the foreseeable future. The Group prepares a detailed budget for the next financial year which is presented to and approved by the Board. This budget is based on the Group's strategic assumptions for organic growth. The Group does not budget in advance for acquisitions. However, additional forecasts are prepared for all potential acquisitions and the impact of this on Group results, liquidity and covenant compliance is considered as part of the strategic decision making process on whether to proceed with an acquisition.

As part of the process of confirming the validity of the Going Concern assumption, the Committee has reviewed the detailed budgets for the next 12 months and the Group's three year forecasts. The forecasting model includes an integrated Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows along with forecast covenant calculations. In order to further satisfy the Going Concern assumption, given the uncertain macro-economic environment, the Group has modelled a number of different trading scenarios, some of which forecast a significantly more negative trading performance than is expected. In all of these scenarios the Group continued to maintain a sufficient level of liquidity to enable it to meet all of its liabilities as they fell due. Having reviewed the forecasts, the Committee is satisfied that these support the business model and strategy of the business and demonstrate sufficient liquidity for the foreseeable future, and will recommend that the Board approves the Going Concern assumption.

5

Reviewing the extent of non-audit services provided by RSM

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

During the year RSM has not provided any non-audit services to the Group other than audit related services.

6 Overseeing the relationship with the external auditors

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

The auditor prepares a detailed audit plan which is presented to the Committee before the commencement of the audit.

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

For the year ended 30 April 2023 the significant audit risks identified were: revenue recognition and contract assets; acquisition accounting; impairment of goodwill and intangible assets and management override of controls.

As part of the audit planning process, the auditor also provided confirmation that in their opinion RSM UK Audit LLP was independent within the meaning of regulatory and professional requirements and that the objectivity of the audit partner and team remained unimpaired.

An assessment of the effectiveness of the audit process in addressing the significant issues identified is made by the Committee based on the auditors full and half year Audit Findings Reports which the auditor presents to the Committee. These reports cover the conclusions from the work completed on the areas of significant audit risk and any other issues identified as part of the audit process. No major areas of concern were identified by RSM during the year.

Following detailed reviews of the Audit Findings Reports, discussions with auditors at Committee meetings and discussions with management on the effectiveness of the audit process, the Committee has confirmed that it is satisfied with the independence, objectivity, and effectiveness of RSM UK Audit LLP as external auditors and has recommended to the Board that the auditors be reappointed. There will be a resolution to reappoint the auditors at the forthcoming AGM.

7 Application of IFRSs, and new and forthcoming standards

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

8 ESG and TCFD reporting

The Group considers its responsibilities in respect of ESG and climate change to be an important focus and ensures strategic decisions are made in a way that considers the ESG strategy. The Committee has reviewed the ESG and TCFD strategy and reports to ensure that the current strategy and reporting is appropriate and in line with current reporting requirements.

Gillian Davies

Chair of the Audit Committee
Senior Independent Non-Executive Director
7 July 2023

Remuneration committee report

I am pleased to present the Directors' Remuneration Report for the year ended 30 April 2023. The Remuneration Committee comprises me as Chair of the Committee and Gillian Davies who is the other current member of the Committee. We are both independent Non-Executive Directors.

Jane Pateman

Chair of the Remuneration Committee

The Chief Executive office and Chief Finance Officer were invited to attend meetings from time to time and the Committee has also been advised by FIT Remuneration Consultants during the year.

This report details;

- how the Committee operates;
- the activities of the Committee during the year; and
- details of payments and awards made to the Directors for 2022/2023 and how the policy will operate in 2023/2024.

Membership and attendance

Current members	Date appointed	Attendance at meetings during the year
Jane Pateman (Chair)	**14 January 2019**	3 of 3
Gillian Davies	**17 March 2021**	3 of 3

Following the end of our financial year, the Remuneration Committee reviewed the performance in the year and approved the business' determination that an average 6% increase in base salary will generally apply for our staff for the coming financial year. An increase of circa 5% has also been applied to the salary of the CFO and CEO. No increases were applied in the prior year to the CEO's salary.

The Remuneration Committee determined that no bonus will be paid to the Executive Directors for the financial year ended 30 April 2023 as the Executive Directors proposed to forgo their bonus as whilst PBT targets were met, other targets were missed.

As a Committee, we are aware of the sensitivity relating to the award of SAYE share options in March 2022 and those that recently vested in March 2023 due to share price impact. Management and the Committee are proposing the launch of an all-employee HMRC tax-advantaged SIP scheme, to enable our employees to participate in a new share incentive scheme, as soon as it is appropriate to do so.

Responsibilities

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

Key activities carried out in the year

During the year the Remuneration Committee formally met three times. For the purposes of the year the Remuneration Committee discussed:

- the setting of targets applicable to the LTIP award granted to the CFO in July 2022 (explained further below);
- plans for the establishment of an EBT to purchase shares to satisfy share awards granted to the workforce;
- annual bonus outcomes for the Executive Directors for the financial year ended 2022/2023;
- any base salary changes for the Executive Directors for the financial year ended 30 April 2024, in the context of the wider workforce increases;
- the design and creation of a new management incentive plan for the senior management team (explained further below); and
- plans for the launch of an appropriate all-employee share scheme in the 2023/2024 financial year.

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

During the year FIT Remuneration Consultants LLP (FIT) provided the Committee with external remuneration advice, including providing advice on all aspects of remuneration policy for the Executive Directors and the senior management team of the Group. The Remuneration Committee is satisfied that the advice received from FIT was objective and independent.

FIT is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure that objective and independent advice is given to remuneration committees.

Our performance and link to remuneration

As summarised in the Chairman's Statement on page 6, the Group has continued to grow over the year with full year revenue of c.£142m, up by 13% compared to the prior year (2022: £125.6m), and underlying PBT[1] anticipated to be c. £21.5m, a 19% increase on the prior year (2022: £18.1m).

An annual bonus arrangement was in place for the CEO and CFO, with a maximum opportunity of 100% of salary for the financial year ended 30 April 2023.

The intention was for the bonus arrangements to be based on achievement of a combination of financial and non-financial measures set at the beginning of the financial year and aligned to the key annual goals supporting the Group's strategy. However, although the PBT target was met, other targets were missed. The CEO and CFO opted to forgo their bonus in these circumstances. Therefore, no bonus awards have been made to the CEO or CFO in respect of the financial year ended 30 April 2023.

A Performance Share Award was granted in July 2020 to the CFO and other members of the management team, subject to a 3 year performance period with vesting dependent on EPS performance. The vesting of this award was dependent on adjusted EPS performance in the financial year ended 30 April 2023 with 25% vesting for EPS of 24.19p and 60% vesting for EPS of 25.46p increasing to 100% vesting for EPS of 26.73p (with a sliding scale operating between these points). These awards have lapsed in full as EPS for the financial year ended 30 April 2023 is 20.20p.

A Performance Share Award was granted to the CFO in July 2022, subject to a 3 year performance period with vesting dependent on EPS performance. The vesting of the July 2022 award is dependent on adjusted EPS performance in the financial year ending 30 April 2025, with 25% vesting for EPS of 25.27p, 60% vesting for EPS of 26.60p, and increasing to 100% vesting for EPS of 27.93p or better. A sliding scale operates between these points.

Executive Director Service Agreements

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

The key remuneration components of Executive Director packages are summarised as follows:

Base salary: The salary of an Executive Director will be reviewed annually by the Remuneration Committee without any obligation to increase such salary. The current base salaries and increases applied for the financial year ending 30 April 2024 are shown below; these increases are below the average salary increase which has been applied to the workforce.

- **David Beech:** The CEO's salary was increased to £315,000 for the upcoming financial year (from £300,000).
- **Kate Lewis:** The CFO's salary was increased to £240,000 for the upcoming financial year (from £230,000).

Pension and benefits: Ancillary benefits include the reimbursement of all reasonable and authorised out of pocket expenses, eligibility for provision of a private healthcare cover up to a maximum premium of £2,000 (although none of the directors have utilised such cover) and 2 x salary life cover. The Group also contributes to pension plans or an additional cash supplement in lieu of pension contribution in respect of the Executive Directors at a rate of 3% in line with the automatic enrolment guidelines and which mirrors the contribution across all employees, positioned competitively to the market in which the Group operates.

Management Incentive Plan: Following a review the Remuneration Committee intends to introduce a new Management Incentive Plan ('MIP') in the form of a deferred bonus scheme that will replace the existing bonus arrangements.

The MIP will operate on the following basis for the 30 April 2024 financial year:

- The CFO will have a maximum opportunity of 100% of base salary under the MIP (consistent with the bonus opportunity for the 30 April 2023 financial year).
- MIP awards will be subject to annual PBT targets, aligned to the business strategy as set by the Remuneration Committee.
- Subject to achievement of the PBT targets, participants will receive 50% of their award in cash in the year ending 30 April 2024 and 50% will be deferred by way of restricted stock awards which will vest on the second anniversary of grant, subject to continued service.
- Members of the senior management team will also be invited to participate in the MIP on a similar basis to the Executive Directors.
- The CEO will also participate in the MIP (maximum annual bonus plan potential unchanged at 100% of base salary). However due to the CEO's continuing large shareholding (c.22% of issued share capital) the Remuneration Committee considers it appropriate for 100% of his bonus on MIP outcomes to be paid in cash and not deferred in shares as his shareholding already provides full alignment with the experience of other shareholders and potentially growing his shareholding further via employee share plans could have unintended consequences which would be detrimental to our shareholders' best interests (such as impacts on ownership limits that could trigger regulatory obligations and related compliance costs).

The Remuneration Committee does not intend to grant any Performance Share Awards to the Executive Directors during the 30 April 2024 financial year.

Non-Executive Directors

Bal Johal, was appointed Non-Executive Chairman of the Group by letter of appointment dated 1 June 2018. The appointment is subject to re-election at the Annual General Meeting and thereafter is terminable on 3 months' notice by either the Group or Bal. The annual fee payable to the Chairman was unchanged throughout the year at £60,000.

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

Remuneration committee report continued

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

As it is listed on AIM, the Group is not required to provide all of the information included in this Remuneration Committee Report. However, in the interests of transparency this has been included as a voluntary disclosure. The Remuneration Committee Report is unaudited.

I do hope that this Report clearly explains our approach to remuneration and enables you to appreciate how it underpins our business growth strategy.

Jane Pateman
Chair of the Remuneration Committee
7 July 2023

	Fees/ basic salary £'000	Benefits £'000	Bonus £'000	LTIP £'000	Pension £'000	2023 Total £'000	2022 Total £'000
Executive Directors							
David Beech	300	–	–	–	–	**300**	300
Kate Lewis	230	–	–	–	7	**237**	1,140
Richard King[1]	158	–	–	–	–	**158**	229
Non-Executive Directors							
Balbinder Johal	60	–	–	–	–	**60**	60
Jane Pateman	40	–	–	–	–	**40**	40
Gillian Davies	50	–	–	–	–	**50**	50
Aggregate	838	–	–	–	7	**845**	1,819

Notes

1 Richard King resigned on 18 May 2022 but continued to receive salary for his six month notice period and also pension contributions of £550 (rounded to nil in the table above).

	Type of award	Date of grant	Number of shares	Exercise price per share	Value at grant	Performance conditions	Vesting date
Kate Lewis	SIP	5 September 2018	2,831	N/A	£5,518	N/A	Matching Shares and Partnership Shares Vested
Kate Lewis	Performance Share Award	24 July 2020	30,667	£0.002	£131,000[1]	EPS[2]	July 2023 – lapsed in full
Kate Lewis	Performance Share Award	19 July 2021	50,114	£0.002	£220,000[3]	EPS[4]	July 2024
Kate Lewis	Performance Share Award	13 July 2022	167,476	£0.002	£172,500[5]	EPS[6]	July 2025

Notes

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

2 3-year performance period with vesting dependent on adjusted EPS performance in financial year ended 30 April 2023 with 25% vesting for EPS of 24.19p and 60% vesting for EPS of 25.46p increasing to 100% vesting for EPS of 26.73p. A sliding scale operates between these points. As EPS is 20.20p this Performance Share Award has lapsed.

3 Based on 3-day average share price of £4.39.

4 3-year performance period with vesting dependent on adjusted EPS performance in financial year 30 April 2024 with 25% vesting for EPS of 26.20p and 60% vesting for EPS of 27.58p increasing to 100% vesting for EPS of 28.96p. A sliding scale operates between these points.

5 Based on 3-day average share price of £1.03.

6 3-year performance period with vesting dependent on adjusted EPS performance in financial year 30 April 2025 with 25% vesting for EPS of 25.27p and 60% vesting for EPS of 26.60p increasing to 100% vesting for EPS of 27.93p or better (and a sliding scale operates between these points).

Directors' report

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

Principal activities and business review

The principal activity of the Group is the provision of legal and professional services. The principal activity of the Company is that of a holding company. The results for the year and the financial position of the Group are disclosed in the detailed financial statements included on pages 90 - 150. A review of the performance of the business during the year and potential future developments is included in the Chairman's Statement, Chief Executive's Review and the Financial Review.

Dividends

The Directors recommend a final dividend of 2.50p per ordinary share to be paid on 29 September 2023 to the ordinary shareholders on the register on 1 September 2023. This, together with the interim dividend of 1.53p per share paid on 17 March 2023, makes a total of 4.03p per share for the year. The final dividend has not been included within creditors as it was not approved before the end of the financial year.

Future developments

The Board plans to continue to invest in technology, recruitment and acquisitions within both the legal and non-legal sectors to support the Group's strategy of becoming the leading regional legal and professional services business. Further details of the Group's future strategy can be found in the Strategic Report on pages 16 - 17.

Post balance sheet events

On 1 May 2023 the Group exchanged contracts to acquire Baines Wilson LLP. The Group will acquire the LLP for total consideration of £3.37 million. The transaction completed on 2 June 2023 and all assets and liabilities of Baines Wilson were hived into the Group on that date.

On 1 May 2023 the Group also exchanged contracts to acquire St James' Law Limited (trading as St James' Square). The Group will acquire the company for total consideration of £1.75 million. The transaction completed on 16 June 2023 and all assets and liabilities of St James Square were hived into the Group on that date.

There are no other significant Post Balance Sheets Events that require any further disclosure.

Directors and their Interest in the shares of the parent company

The following Directors have held office since 1 May 2022:

Name	Number of shares	%
DA Beech	18,922,309	22.05
BS Johal	220,000	0.26
KL Lewis	105,131	0.12
G Davies	30,000	0.03
J Pateman	10,000	0.01

Substantial shareholdings

As far as the Directors are aware the only notifiable holdings equal to or in excess of 3% of the total issued share capital as at 30 April 2023 were as detailed below:

Name	Number of shares	%
DA Beech	18,922,309	22.05
Octopus Investments	12,390,154	14.44
Columbia Threadneedle Investments	10,435,520	12.16
Wasatch Global Investments	5,326,958	6.21
BGF	3,325,120	3.87

Directors' indemnity provisions

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

Risk management

The Board manages financial risk on an ongoing basis. The key financial risks relating to the Group and its financial risk management objectives and policies are discussed in more detail in note 34 to the financial statements.

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

Political donations

The Group has not made any political donations.

Streamlined Energy and Carbon Reporting (SECR)

In accordance with S414C (11) of the Companies Act, the Group has included the SECR report on page 46. This is included as part of the Group's Strategic Report as they are considered to be of strategic importance.

Directors' report continued

Disabled persons

The Group operates an equal opportunities employment policy.

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

Employee engagement

The Group places considerable value on the involvement of its employees in the future success of the Group. Although the overall strategic direction of the Group is managed by the Board, the Group manages its day-to-day operations with the assistance of its central management team consisting of Client Service Directors managing the fee generating side of the business and Operational Directors managing the support side of the business. Local supervision is provided in each office by the involvement of Client Service Directors who assist in ensuring a common culture and working practice across the Group as a whole.

The Group prides itself on its culture, and maintaining that culture through consistent engagement with its staff is integral to the Group's success.

The Group achieves this consistent messaging in a number of ways, including day-to-day management of teams by Client Service Directors and the Operational Directors, regular meetings with teams, partners, all staff meetings and webinars as appropriate. This regular engagement ensures that all staff are fully informed about any key developments and the strategic direction of the Group. This collaborative management structure encourages engagement at all levels.

Further information on how the Group liaises with employees and includes them in decision-making where relevant, and encourages participation in share schemes to enable them to share in the success of the Group is included in the Corporate Sustainability Report on pages 36 - 37.

Engaging with stakeholders

The Directors have considered who the key stakeholders in the business are and documented how they engage with each of these groups, noting any key decisions made during the year. Details of this are included within the S172(1) report on pages 48 - 49. The Directors have chosen, in accordance with Section 414C(11) of the Companies Act 2006, to include information in respect of employee communication and consultation, engagement with suppliers, customers and other stakeholders in the Strategic Report.

Going concern

The Group and Company financial statements have been prepared on a going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group is strongly cash generative at the operating level and as at the end of the financial year had headroom of circa £30m within its current debt facilities.

The Group's forecasts show that the Group has sufficient resources for both current and anticipated cash requirements. The Group remains profitable and operates within its current available banking facilities with no forecast breach of covenants for the foreseeable future.

Auditor

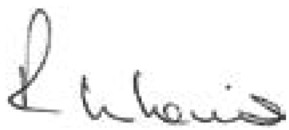
Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

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

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

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

The Directors' Report was approved by the Board of Directors on 7 July 2023 and signed on its behalf by:



Kate Lewis
Chief Financial Officer
7 July 2023

Statement of directors' responsibilities

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

Company law requires the directors to prepare group and company financial statements for each financial year. The directors have elected under company law and the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with UK-adopted International Accounting Standards and have elected under company law to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Group financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position and performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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

In preparing each of the Group and Company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. for the Group financial statements, state whether they have been prepared in accordance with UK-adopted International Accounting Standards;

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

e. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

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

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

Independent auditor's report to the members of Knights Group Holdings plc

Opinion

We have audited the financial statements of Knights Group Holdings Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 April 2023 which comprise the consolidated statement of comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities1 and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	**Group** – Valuation and recoverability of amounts recoverable on contracts and impact on revenue recognition – Acquisition accounting, timing of obtaining control and valuation of intangibles assets acquired **Parent Company** – None identified
Materiality	**Group** – Overall materiality: £1,020,000 (2022: £635,000) – Performance materiality: £767,000 (2022: £476,000) **Parent Company** – Overall materiality: £1,020,000 (2022: £423,000) – Performance materiality: £764,000 (2022: £317,000)
Scope	Our audit procedures covered 98% of revenue, 100% of total assets and 97% of profit before tax.

Key audit matters

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

Revenue recognition and contract assets

Key audit matter description	The Group's accounting policy in respect of revenue recognition is set out in note 2.5. Note 4 sets out the critical judgements and estimates applied by the directors in relation to the amounts recoverable on contract assets, which may have a material effect on the amount of revenue recognised in the period, and note 5 to the financial statements gives detail on revenue. There is a risk that revenue could be materially misstated due to recognising revenue in the wrong accounting period, or in the wrong amount. Revenue is materially impacted by changes in the contract assets balance, which is subject to management judgement about recovery rates and provisions. Due to the large volume of transactions in the year there is a risk that not all of the matters in the year have been appropriately billed. Contract assets are carried at a value of £38,215,000 (2022: £31,777,000) (note 23). They are valued on a line by line (case by case) basis using an estimated recovery rate at the period end. The process of valuing contract assets and, in particular, estimating recovery rates, is judgemental and therefore considered to be a key audit matter. It is also an area to which we applied significant audit time and resource.
How the matter was addressed in the audit	Our response to the key audit matter included: – assessing management's revenue recognition policy for fixed fee arrangements, unconditional fee-for-service arrangements, and variable or contingent fee arrangements for open cases at the year end for compliance with IFRS 15 – Revenue from contracts with customers – assessing the design and testing the operation of controls implemented by management over month and period end valuation of contract assets – performing analytical review of the relationships between fee earner numbers and salary costs compared to reported revenue and to prior financial years – using data analytics software to test the revenue recognised by ensuring that the revenue transaction cycle was completed through to cash receipt or inclusion in trade receivables – comparing the year end work in progress valuation and recovery rates to the prior year for each office and across departments (excluding those acquired in the year) – comparing the expected recovery rate in the prior year valuation of work in progress to the actual amounts recovered for a sample of fee earners during the year – reviewing a sample of contract assets balances at period end and discussing the nature of the case and the anticipated recovery rates with management and individual fee earners – for the same sample, checking any billing or provisions following the period end to support the reported recovery rate – period-end cut off testing to ensure that contract assets and revenue had been recognised in the correct accounting period – reviewing the monthly chargeable hours recorded during the period and in the month immediately after the period end to determine whether there were any unexplained fluctuations in recorded hours – agreeing the recoverability of the balance of unbilled revenue to post year end billing and cash receipts and, where billing has not yet occurred, challenging fee-earners about the expected recovery, confirming unbilled revenue is recorded in the correct period and at the correct amount and is supported by time costs incurred.

Independent auditor's report to the members of Knights Group Holdings plc continued

Acquisition accounting and valuation of intangible assets acquired

Key audit matter description	During the year the Group made three acquisitions involving aggregate consideration of £12,700,000, including deferred consideration of £2,400,000 as set out in note 21. There are significant intangible assets arising as a result of each acquisition, including goodwill of £7,800,000 and customer relationships of £1,600,000 (note 20). The determination and allocation of the purchase price, the identification and valuation of the intangible assets arising, and the useful lives of these assets, particularly the customer relationships, involve the exercise of a significant degree of management judgement and is therefore considered to be a key audit matter. Additionally, the date on which control is obtained in each acquisition is a key judgement in assessing the acquisition date (see note 4). The details of acquisitions made in the year are set out in note 21. Notes 2.4 (business combinations), 2.8 (goodwill) and 2.9 (intangible assets other than goodwill) set out the accounting policies in respect of business combinations and note 20 to the financial statements summarises the intangible assets added through acquisitions in the year.
How the matter was addressed in the audit	Our response to the key audit matter included: – obtaining copies of the acquisition agreements for each acquisition and considering which party has control, the percentage acquired, the consideration offered and details of any deferred and/or contingent consideration – reviewing the details of clauses in the heads of terms and the sale and purchase agreements for each acquisition to determine the date on which control passes, and hence determining the date of acquisition i.e. the date control was obtained – agreeing the amounts of consideration to cash amounts paid and the share consideration to share certificates issued and the market price in the period immediately prior to issue – confirming that the accounting treatment applied for each transaction is in accordance with relevant accounting standards – reviewing and challenging the appropriateness of the assumptions used in the fair value calculations to value the customer relationships and agreeing these to supporting evidence, including the growth rate, customer attrition rate and discount rate applied – considering whether there are any other intangible assets which should be recognised as part of the fair value exercise – reviewing the useful life applied to customer lists and comparing this to historic client retention rates in the acquired businesses – confirming that the disclosures made in respect of each acquisition are in accordance with the relevant standard.

Our application of materiality

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

	Group	Parent company
Overall materiality	£1,020,000 (2022: £635,000)	£1,020,000 (2022: £423,000)
Basis for determining overall materiality	4.7% of Underlying PBT	1% of Net Assets
Rationale for benchmark applied	A key metric used by management and shareholders in assessing performance of the Group is underlying profit before tax, as disclosed in note 37.	The parent company does not trade; its function is to hold investments in the Group's trading entities. As a result, the benchmark for this entity is net assets.
Performance materiality	£767,000 (2022: £476,000)	£764,000 (2022: £317,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £51,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £51,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	3	98%	100%	97%
Total	3	98%	100%	97%

Analytical procedures at group level were performed for the remaining two components. No component auditors were involved in our work.

Conclusions relating to going concern

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

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

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

Independent auditor's report to the members of Knights Group Holdings plc continued

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 89, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team included:
IFRS and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation. Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	Inspection of advice received from internal tax advisors. Inspection of correspondence with local tax authorities. Input from a tax specialist was obtained to review the Group's draft tax computations.
Solicitors' Regulatory Authority regulations	Discussion with the Group's in house compliance team. Review of returns submitted to and correspondence with the Solicitors' Regulatory Authority, including in relation to any breaches, potential litigation or claims. The Group undergoes a separate SRA audit. We have discussed the outcome of this work with the RSM team responsible for it.

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

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

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

Use of our report

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

Geoff Wightwick (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants
Festival Way
Stoke on Trent
Staffordshire
ST1 5BB

Consolidated statement of comprehensive income
For the year ended 30 April 2023

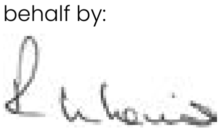
	Note	Year ended 30 April 2023 £'000	Year ended 30 April 2022 £'000
Revenue	5	**142,080**	125,604
Other operating income	7	**6,718**	1,270
Staff costs	8	**(88,412)**	(76,863)
Depreciation and amortisation charges	11	**(11,616)**	(10,778)
Impairment of trade receivables and contract assets		**(468)**	(498)
Other operating charges	12	**(26,539)**	(22,077)
Operating profit before non-underlying charges		**21,763**	16,658
Non-underlying operating costs	13	**(6,791)**	(13,260)
Non-underlying gains on disposals	13	**318**	–
Operating profit		**15,290**	3,398
Finance costs	14	**(3,661)**	(2,364)
Finance income	15	**52**	22
Non recurring finance costs	13	**(152)**	–
Profit before tax		**11,529**	1,056
Taxation	17	**(3,175)**	(1,840)
Non-underlying tax charge	17	**(410)**	(1,747)
Profit/(loss) and total comprehensive income for the year attributable to equity owners of the parent		**7,944**	(2,531)
Earnings per share		**Pence**	Pence
Basic earnings per share	18	**9.28**	(3.02)
Diluted earnings per share	18	**9.19**	(3.02)

The above results were derived from the Group's continuing operations. Options are not dilutive in prior periods in view of the loss incurred in that period.

Consolidated statement of financial position
As at 30 April 2023

	Note	30 April 2023 £'000	30 April 2022 £'000
Assets			
Non-current assets			
Intangible assets and goodwill	20	**88,021**	82,172
Property, plant and equipment	22	**10,004**	10,240
Right-of-use assets	22	**38,200**	40,663
Finance lease receivables	26	**1,671**	1,091
		137,896	134,166
Current assets			
Contract assets	23	**38,215**	31,777
Trade and other receivables	24	**31,087**	32,309
Finance lease receivables	26	**315**	76
Corporation tax asset		**152**	1,815
Cash and cash equivalents		**4,045**	4,097
Assets held for sale	27	**–**	1,195
		73,814	71,269
Total assets		**211,710**	205,435
Equity and liabilities			
Equity			
Share capital	25	**171**	169
Share premium		**75,262**	74,264
Merger reserve		**(3,506)**	(3,536)
Retained earnings		**20,880**	14,762
Equity attributable to owners of the parent		**92,807**	85,659
Non-current liabilities			
Lease liabilities	28	**38,585**	41,183
Borrowings	29	**33,076**	32,798
Deferred consideration	30	**2,482**	2,421
Deferred tax	31	**8,388**	8,332
Provisions	33	**4,090**	4,331
		86,621	89,065
Current liabilities			
Lease liabilities	28	**6,331**	5,345
Borrowings	29	**189**	355
Trade and other payables	32	**20,832**	21,362
Deferred consideration	30	**2,367**	1,210
Contract liabilities	23	**218**	237
Provisions	33	**2,345**	1,772
Liabilities held for sale	27	**–**	430
		32,282	30,711
Total liabilities		**118,903**	119,776
Total equity and liabilities		**211,710**	205,435

The financial statements were approved by the board and authorised for issue on 7 July 2023 and are signed on its behalf by:



Kate Lewis
Director

Registered No. 11290101

Consolidated statement of changes in equity
For the year ended 30 April 2023

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
As at 1 May 2021		165	68,369	(3,536)	17,691	82,689
Loss for the period and total comprehensive income		–	–	–	(2,531)	(2,531)
Transactions with owners in their capacity as owners:						
Credit to equity for equity-settled share-based payments	9	–	–	–	835	835
Issue of shares	25	4	5,895	–	–	5,899
Dividends	19	–	–	–	(1,233)	(1,233)
Balance at 30 April 2022		**169**	**74,264**	**(3,536)**	**14,762**	**85,659**
Profit for the period and total comprehensive income		**–**	**–**	**–**	**7,944**	**7,944**
Transactions with owners in their capacity as owners:						
Credit to equity for equity-settled share-based payments	9	**–**	**–**	**–**	**1,265**	**1,265**
Issue of shares	25	**2**	**998**	**–**	**–**	**1,000**
Transfer		**–**	**–**	**30**	**(30)**	**–**
Dividends	19	**–**	**–**	**–**	**(3,061)**	**(3,061)**
Balance at 30 April 2023		**171**	**75,262**	**(3,506)**	**20,880**	**92,807**

Consolidated statement of cash flows
For the year ended 30 April 2023

	Note	Year ended 30 April 2023 £'000	Year ended 30 April 2022 £'000
Operating activities			
Cash generated from operations	35	**29,431**	25,060
Non-underlying operating costs paid	13	**(3,142)**	(3,691)
Interest received		**–**	274
Tax paid		**(2,424)**	(4,095)
Contingent acquisition payments		**(3,870)**	(5,383)
Net cash from operating activities		**19,995**	12,165
Investing activities			
Acquisition of subsidiaries (net of cash acquired)	21	**(6,018)**	(6,801)
Purchase of intangible fixed assets	20	**(71)**	(62)
Purchase of property, plant and equipment	22	**(1,853)**	(2,526)
Proceeds from lease receivables		**237**	30
Disposal of subsidiaries (net of cash disposed)		**1,068**	–
Landlord capital contribution		**–**	146
Associated lease costs		**–**	(23)
Payment of deferred consideration		**(1,210)**	(1,095)
Net cash used in investing activities		**(7,847)**	(10,331)
Financing activities			
Proceeds of borrowings		**34,425**	47,350
Repayment of borrowings		**(33,900)**	(38,600)
Proceeds from exercise of share options		**–**	798
Repayment of debt acquired with current year subsidiaries	21	**(256)**	(2,903)
Repayment of debt acquired with prior year subsidiaries		**(438)**	–
Repayment of lease liabilities		**(5,439)**	(3,890)
Interest and other finance costs paid		**(3,661)**	(2,060)
Dividends paid		**(3,061)**	(1,233)
Net cash used in financing activities		**(12,330)**	(538)
Net (decrease)/increase in cash and cash equivalents		**(182)**	1,296
Cash and cash equivalents at the beginning of the period		**4,227**	2,931
Cash – continuing operations		**4,045**	4,097
Cash – assets held for disposal (note 27)		**–**	130
Total cash and cash equivalents at end of period		**4,045**	4,227

Notes to the consolidated financial statements
For the year ended 30 April 2023

1. General information

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

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

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

The Brampton
Newcastle-under-Lyme
Staffordshire
ST5 0QW

2. Accounting policies

2.1 Basis of preparation
The financial statements have been prepared in accordance with UK-adopted International Accounting Standards.

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

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

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

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

2.2 Going concern
The accounts are prepared on a going concern basis as, at the time of approving the financial statements, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. The Group has a strong trading performance, generates strong operational cashflows and has banking facilities of £60,000,000 available until October 2024. The Group's forecasts show sufficient cash generation and headroom in banking facilities and covenants by comparison to anticipated future requirements to support the Directors' conclusion that the assumption of the going concern basis of accounting in preparing the financial statements is appropriate.

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

2.3 Basis of consolidation
The consolidated financial statements incorporate the results of Knights Group Holdings plc and all of its subsidiaries.

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

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

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

Audit exemption of subsidiaries

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

Name	Registered number
BrookStreet Des Roches LLP	OC317863
Dakeyne Emms Gilmore Liberson Limited	06850969
Shulmans LLP	OC348166
ASB Law LLP	OC351354
ASB Aspire Limited Liability Partnership	OC327667
Mundays LLP	OC313856
K & S Trust Corporation Limited	02885753
Keebles LLP	OC351421
Archers Law Limited Liability Partnership	OC306705
Langleys Solicitors LLP	OC361149
Langleys Law Firm Limited	07500419
SLS Trust Corporation Limited	12122733
Coffin Mew LLP	OC323868
Coffin Mew Trust Corporation Limited	11247326
Meade King LLP	OC349796

The outstanding liabilities at 30 April 2023 of the above named subsidiaries have been guaranteed by the Company pursuant to s479A to s479C of the Act. In the opinion of the directors, the possibility of the guarantee being called upon is remote since the trade, assets and majority of liabilities of these subsidiaries were transferred to Knights Professional Services Limited before 30 April 2023.

2.4 Business combinations

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

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

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. This discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Deferred consideration is classified as a financial liability, which is held at amortised cost. The unwinding of the discount is recognised in non-underlying costs. Contingent consideration that is contingent on an employee remaining in employment with the Group are accounted for separately from the business combination as remuneration as described in notes 13 and 21.

Notes to the consolidated financial statements continued
For the year ended 30 April 2023

2. **Accounting policies** continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.6 Interest received on client deposits
Interest is recognised on client deposits held, this is recognised in profit or loss as it accrues, based on the effective interest rate during the period. This forms part of other income as this is driven by the ongoing operations of the business.

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

Deferred tax is recognised for temporary differences, calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date except for;

- When the deferred tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

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

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

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

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

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

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

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

Purchased computer software	–	4 years
Customer relationships	–	3-25 years
Brand	–	100 years

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

Customer relationships are amortised over a period of 3-25 years being the average length of relationship with key clients for acquired entities.

Restrictive covenants are amortised over the remaining length of covenant.

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

Notes to the consolidated financial statements continued
For the year ended 30 April 2023

2. Accounting policies continued

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

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

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

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

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

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

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

2.12 Professional indemnity provisions
In common with comparable practices, the Group is involved in a number of disputes in the ordinary course of business which may give rise to claims. Professional indemnity insurance cover is maintained in respect of professional negligence claims. Premiums are expensed as they fall due with prepayments being recognised accordingly.

Provision is made in the financial statements for all claims where costs are likely to be incurred. The provision represents management's best estimate of the cost of defending and concluding claims and any excesses that may become payable. No separate disclosure is made of the cost of claims covered by insurance as to do so could seriously prejudice the position of the Group.

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

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

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

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

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

Underlying lease payments of both principal and interest are included in financing activities in the cash flow. Onerous lease payments of both principal and interest are included in non-underlying operating activities in the Statement of Cash Flows.

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

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

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

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

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

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

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

Group as lessor

The Group enters into lease agreements as a lessor with respect to two of its properties.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

2.14 Retirement benefits

2.14a Defined contribution scheme

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

2.14b Defined benefit pension scheme

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

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

Notes to the consolidated financial statements continued
For the year ended 30 April 2023

2. Accounting policies continued

2.14b Defined benefit pension scheme continued
Defined benefit assets are not recognised in the Consolidated Statement of Financial Position, on the basis that they are not deemed to be material.

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

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

2.16 Financial instruments
Financial instruments are recognised on the date when the Group becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value.

Financial assets

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

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

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

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

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

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

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

3. Accounting developments

New and amended IFRSs that are effective for the future

At the date of these financial statements, there were new standards and amendments to IFRSs which were in issue but which were not yet effective and which have not been applied. The principal ones were:

Revised IFRS	Effective date
Amendments to IAS 1, Practice statement 2 and IAS 8	1 January 2023
Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-current and Classification of Liabilities as Current or Non-current	1 January 2024

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical accounting judgements

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

Amounts recoverable on contracts – contingent fee arrangements

A level of judgement is required to determine the likelihood of success of a given matter for contingent fee arrangements. This is determined on a contract-by-contract basis after considering the relevant facts and circumstances surrounding each matter. The valuation exercise is conducted by experienced professionals with detailed understanding of the individual matters. The carrying value of contingent fee arrangements at 30 April 2023 was £9,488,000 (2022: £7,804,000).

IFRS 16

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

Business combinations

Management make judgements regarding the date of control of an acquisition in accordance with IFRS 10. The judgement considers the individual legal agreements on each transaction and the date at which the Group starts to exercise control over the activities of the subsidiary, usually the date of exchange of contracts. Financial performance of the acquisitions is included in the consolidated group from the deemed date of control.

Alternative performance measures (APMs)

The Group presents various APMs to assist the user in understanding the underlying performance of the Group. The selection of these APMs requires the exercise of judgement as to the key performance indicators used.

Key sources of estimation uncertainty

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

IFRS 16

The Group makes estimates of the cost of restoring leased assets to their original condition when required to do so under the terms and conditions of the lease. Those estimates are based on the current condition of the leased assets and past experience of restoration costs. As at 30 April 2023 the Group had total provisions of £4,827,000 (2022: £4,462,000) (see note 33).

Notes to the consolidated financial statements continued
For the year ended 30 April 2023

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

Key sources of estimation uncertainty continued

Amounts recoverable on contract assets– recoverable amounts

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

This percentage represents management's best estimate of future value following a line by line review of the matters by professionals. The estimation process takes into account the progress of the case at the reporting date, the estimated eventual fee payable by the client and the amount of time which will be incurred in bringing the matter to a successful conclusion. The amount recognised in AROC at the year end was £38,215,000 (2022: £31,777,000), a 3% change in the estimated recovery of all matters would impact the profit for the period by approximately £1,407,000 (2022: £1,245,000).

Accounting for business combinations and valuation of acquired intangibles

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

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

The total carrying value of acquired intangibles (excluding brands) is £23,158,000 (2022: £25,122,000). In order to assess the impact of the key assumptions on the values disclosed in the Financial Statements the Directors have applied the following sensitivities to the acquisitions in the current year:

Key assumption	Rate applied in the financial statements	Sensitivity tested	Annual profit impact £'000	Value of intangible assets £'000
Long term growth rate	2%	0%	3	(6)
WACC and IRR	8.3% – 10.1%[1]	Increase by 5%	48	(84)
Length of customer relationships	4 – 7.6 years	Increase of 5 years	(12)	248

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

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

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

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

Intangible Assets – carrying amount of goodwill – impairment review

The Directors undertake an annual impairment review of goodwill to assess whether the carrying value of £59.7 million is still supported by using a discounted cash flow model to derive the value in use of the cash generating unit ('CGU'). Cash flow forecasts are derived from the most recent financial budgets approved by management for the next three years and extrapolated using a terminal value calculation.

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

Revenue growth over the three years of the forecast period reflects, for FY24, the current run rate of revenue from the Group's existing business and a full year of revenue from acquisitions made during the year ended 30 April 2023, with an element of organic growth in FY25 and FY26. The long-term growth rate of 2% (2022: 2%) is based on UK economic growth forecasts for the legal services market.

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

5. Revenue

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

The transaction price allocated to unsatisfied performance obligations of contracts at 30 April 2023 is not required to be disclosed because it is comprised of contracts that are expected to have a duration of one year or less.

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

6. Segmental reporting

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

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

7. Other operating income

	Year ended 30 April 2023 £'000	Year ended 30 April 2022 £'000
Other income	1,033	996
Bank interest on client monies	5,685	274
	6,718	1,270

8. Staff costs

The average monthly number of employees (including executive directors) of the Group was:

	Year ended 30 April 2023 Number	Year ended 30 April 2022 Number
Fee earners	1,154	1,080
Other employees	288	268
	1,442	1,348

Their aggregate remuneration comprised:

	Year ended 30 April 2023 £'000	Year ended 30 April 2022 £'000
Wages and salaries	76,392	67,923
Social security costs	8,675	7,123
Other pension costs	2,520	2,324
Share based payment charge	1,265	835
Other employment costs	936	1,159
Aggregate remuneration of employees	89,788	79,364
Redundancy costs and share based payment charges analysed as non-underlying costs (note 13)	(1,376)	(2,501)
Underlying staff costs in Statement of Comprehensive Income	88,412	76,863

Notes to the consolidated financial statements continued
For the year ended 30 April 2023

8. **Staff costs** continued

Directors' remuneration

Companies Act disclosures

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

	Year ended 30 April 2023 £'000	Year ended 30 April 2022 £'000
Salaries, fees, bonuses and benefits in kind	**838**	892
Gains on exercise of options	**–**	913
Money purchase pension contributions	**7**	14
	845	1,819

The number of directors to whom benefits are accruing under money purchase pension schemes is 2 (2022: 2).

The remuneration of the highest paid director was:

	Year ended 30 April 2023 £'000	Year ended 30 April 2022 £'000
Salaries, fees, bonuses, benefits in kind and gains on exercise of options	**300**	1,133
Money purchase pension contributions	**–**	7
	300	1,140

9. **Share-based payments**

The Group issues equity-settled share-based payments to its employees. The Group recognised total expenses of £1,265,000 (2022: £835,000) relating to equity-settled share-based payment transactions in the year. £1,248,000 (2022: £414,000) is recognised within staff costs and £17,000 (2022: £421,000) in non-underlying costs.

Any charges relating to schemes introduced as one-off schemes as part of the listing on AIM in 2018 are included in non-underlying costs because the directors view these schemes as a reward to employees for their past performance prior to the IPO and on acquisitions. All charges relating to other recurring LTIP or SAYE schemes are included as a normal operating expense.

The following schemes were in place during the period:

Omnibus Plan

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

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

a) "Restricted Stock Awards": Awards granted in the form of nil or nominal cost share options, subject to time-based vesting requirements and continued employment within the Group. No performance targets will apply to Restricted Stock Awards.

b) "Performance Share Awards": Awards granted in the form of nil or nominal cost share options, whereby vesting is subject to satisfaction of performance conditions and continued employment within the Group. The performance condition is in relation to meeting target underlying EPS values.

c) "Share Options": Awards granted in the form of a share option with an exercise price equal to the market value of an ordinary share at the time of grant, subject to continued employment within the Group. Share Options may or may not be subject to performance conditions.

	Restricted stock awards		Performance share awards	
	Number	Weighted average exercise price Pence	Number	Weighted average exercise price Pence
Outstanding at 1 May 2021	586,323	0.2	243,810	0.2
Granted during the period	265,300	0.2	100,228	0.2
Dividend equivalents awarded	2,137	0.2	–	–
Forfeited during the period	(37,395)	0.2	–	–
Exercised during the period	(354,954)	0.2	–	–
Outstanding at 30 April 2022	461,411	0.2	344,038	0.2
Exercisable at 30 April 2022	166,652	0.2	–	–
Granted during the period	2,663,854	0.2	167,476	0.2
Dividend equivalents awarded	94,844	0.2	19,374	0.2
Forfeited during the period	(27,883)	0.2	(163,824)	0.2
Exercised during the period	(21,572)	0.2	–	–
Outstanding at 30 April 2023	**3,170,654**	**0.2**	**367,064**	**0.2**
Exercisable at 30 April 2023	**222,929**	**0.2**	**–**	**–**

The options outstanding at 30 April 2023 had a weighted average exercise price of 0.2p and a weighted average remaining contractual life of 1.62 years. The average share price for options exercised during the year was 135.98p.

During the year 2,663,854 options were granted as restricted stock awards. In addition, 167,476 of performance share awards were granted. The maximum term of any award is three years.

The aggregate of the estimated fair values of the options granted during the year £2,230,000. The model used is based on intrinsic values and the inputs are as follows:

Date Granted	Number of Shares	Fair Value	Share Price	Exercise Price	Expected Life	Type of award
13 July 2022	337,679	428,177	127.00	0.2p	2.9 years	Restricted stock
13 July 2022	167,476	212,360	127.00	0.2p	3.0 years	Performance share
29 July 2022	509	686	135.00	0.2p	0.0 years	Restricted stock
12 September 2022	33,654	34,933	103.80	0.2p	2.0 years	Restricted stock
20 September 2022	19,832	19,792	99.80	0.2p	1.0 years	Restricted stock
20 September 2022	19,831	19,791	99.80	0.2p	2.0 years	Restricted stock
20 September 2022	19,831	19,791	99.80	0.2p	3.0 years	Restricted stock
21 September 2022	20,000	20,330	101.65	0.2p	1.0 years	Restricted stock
4 November 2022	727,802	481,805	66.20	0.2p	1.0 years	Restricted stock
4 November 2022	727,802	481,805	66.20	0.2p	2.0 years	Restricted stock
4 November 2022	363,901	240,902	66.20	0.2p	3.0 years	Restricted stock
4 November 2022	363,901	240,902	66.20	0.2p	4.0 years	Restricted stock
6 December 2022	29,112	29,054	99.80	0.2p	3.0 years	Restricted stock

Notes to the consolidated financial statements continued
For the year ended 30 April 2023

9. Share-based payments continued

Share Incentive Plan ('SIP')
The SIP is an "all employee" scheme under which every eligible employee within the Group was invited to participate. Eligible employees could apply to invest up to £1,800 from pre-tax income in partnership shares; matching shares were awarded on the basis of two free matching shares for each partnership share purchased. The matching shares are forfeited if the employee leaves within three years of the grant date.

	Partnership Shares Number	Matching Shares Number
Outstanding at 1 May 2021	165,039	330,079
Withdrawn during the period	(40,694)	–
Forfeited during the period	–	(81,388)
Outstanding at 30 April 2022	124,345	248,691
Unrestricted at 30 April 2022	124,345	248,691
Withdrawn during the period	(6,149)	–
Forfeited during the period	–	(12,298)
Outstanding at 30 April 2023	**118,196**	**236,393**
Unrestricted at 30 April 2023	**118,196**	**236,393**

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

The first scheme was launched in November 2018 and further new SAYE schemes have been launched in February 2020 and March 2022.

	SAYE options	
	Number	Weighted average exercise price Pence
Outstanding at 1 May 2021	1,238,954	244
Granted during the period	1,430,251	296
Forfeited during the period	(311,248)	342
Exercised during the period	(491,530)	161
Outstanding at 30 April 2022	1,866,427	289
Exercisable at 30 April 2022	209,829	162
Forfeited during the period	(996,259)	274
Outstanding at 30 April 2023	**870,168**	**306**
Exercisable at 30 April 2023	**133,334**	**361**

The options outstanding at 30 April 2023 had a weighted average exercise price of 306p and a weighted average remaining contractual life of 2.00 years.

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

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

The November 2018 scheme matured on 1 February 2022, the number of share options exercised in respect of this scheme as at 30 April 2023 is 505,533. There are no share options which remain exercisable.

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

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

The February 2020 scheme matured on 31 March 2023, the number of share options exercised in respect of this scheme as at 30 April 2023 is 2,622. There are 133,334 share options which remain exercisable.

March 2022 Scheme
The aggregate of the estimated fair values of the options granted in March 2022 is £110,000. The inputs into the Black-Scholes model are as follows:

Exercise price	296p
Weighted average share price	148p
Expected volatility	53.7%
Expected life	3.1 years
Risk-free rate	5.9%
Expected dividend yield	3.0%

Volatility is based on the daily change in share price from 29 June 2018 to the date of measurement.

10. Retirement benefit schemes

The Group operates a defined contribution pension scheme for employees. The total cost charged to income of £2,520,000 (2022: £2,324,000) represents contributions payable to the scheme by the Group. As at 30 April 2023, total contributions of £515,000 (2022: £892,000) due in respect of the reporting period had not been paid over to the schemes.

The defined benefit impact is discussed in note 39. There were no charges against income in the year ended 30 April 2023.

11. Depreciation and amortisation charges

	Year ended 30 April 2023 £'000	**Year ended 30 April 2022 £'000**
Depreciation	**2,364**	2,027
Depreciation on right-of-use assets	**5,706**	4,799
Amortisation	**3,544**	3,936
Loss on disposal of property, plant and equipment	**2**	16
	11,616	10,778

Notes to the consolidated financial statements continued
For the year ended 30 April 2023

12. Other operating charges

	Year ended 30 April 2023 £'000	Year ended 30 April 2022 £'000
Establishment costs	**6,888**	5,633
Short term and low value lease costs	**302**	187
Other overhead expenses	**19,349**	16,257
	26,539	22,077

13. Non-underlying operating costs

	Year ended 30 April 2023 £'000	Year ended 30 April 2022 £'000
Redundancy and reorganisation staff costs	**1,359**	2,080
Transaction costs	**953**	988
Onerous short life asset leases	**–**	472
Impairment of right-of-use assets	**38**	2,065
(Profit)/loss on disposal of intangible assets and property, plant and equipment	**(12)**	967
Share based payment charges	**17**	421
Contingent consideration treated as remuneration	**4,436**	6,267
	6,791	13,260
Non-underlying gains on disposal	**(318)**	–
	6,473	13,260
Non-underlying finance costs	**152**	–
	6,625	13,260

Non-underlying costs cash movement

	Year ended 30 April 2023 £'000	Year ended 30 April 2022 £'000
Non-underlying operating costs	**6,625**	13,260
Adjustments for:		
Contingent consideration shown separately	**(4,436)**	(6,267)
Non cash movements:		
Share based payment charge	**(17)**	(421)
Impairment of right of use assets	**(38)**	(2,065)
Profit/(loss) on disposal of property, plant and equipment	**12**	(967)
Onerous leases	**–**	(97)
Accrual	**218**	248
Non-underlying gains on disposal	**318**	–
Non-underlying finance costs	**(152)**	–
Additional cash movements:		
Rental payments on onerous leases	**543**	–
Service charge payments on onerous leases	**92**	–
Receipt for sale of HPL fixed assets	**(24)**	–
	3,141	3,691

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

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

14. Finance costs

	Year ended 30 April 2023 £'000	**Year ended 30 April 2022 £'000**
Interest on borrowings	**2,135**	952
Interest on leases	**1,526**	1,412
	3,661	2,364

15. Finance income

	Year ended 30 April 2023 £'000	**Year ended 30 April 2022 £'000**
Lease interest receivable	**52**	22

16. Auditor's remuneration

	Year ended 30 April 2023 £'000	**Year ended 30 April 2022 £'000**
Fees payable to the parent company's auditor and their associates for the audit of the parent company's annual accounts	**43**	36
Fees payable to the auditor and their associates for other services to the Group:		
– The audit of the Company's subsidiaries	**150**	126
Total audit fees	**193**	162
– Audit-related assurance services	**22**	19
Total non-audit fees	**22**	19

Notes to the consolidated financial statements continued
For the year ended 30 April 2023

17. Taxation

	Year ended 30 April 2023 £'000	Year ended 30 April 2022 £'000
Corporation tax:		
Current year	**4,208**	1,574
Adjustments in respect of prior years – non-underlying	**(161)**	–
Adjustments in respect of prior years	**39**	(96)
	4,086	1,478
Deferred tax:		
Origination and reversal of temporary differences	**(1,072)**	362
Effect of change in tax rates	**122**	1,747
Adjustment in respect of prior years	**449**	–
	(501)	2,109
Tax expense for the year	**3,585**	3,587

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

	Year ended 30 April 2023 £'000	Year ended 30 April 2022 £'000
Profit before tax	**11,529**	1,056
Tax at the UK corporation tax rate of 19.5% (2022: 19%)	**2,248**	201
Expenses that are not deductible in determining taxable profit	**679**	1,735
Partnership tax paid on acquired subsidiaries	**209**	–
Effect of change in tax rates	**122**	1,747
Adjustment in respect of prior years – non-underlying	**289**	–
Adjustment in respect of prior years	**38**	(96)
Tax expense for the year	**3,585**	3,587
Consisting of:		
Taxation	**3,175**	1,840
Non-underlying tax charge	**410**	1,747

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

	Year ended 30 April 2023			Year ended 30 April 2022		
	Total £'000	Underlying £'000	Non-Underlying £'000	Total £'000	Underlying £'000	Non-Underlying £'000
Profit before tax	**11,529**	**21,595**	**(10,066)**	1,056	18,131	(17,075)
Tax expense	**3,175**	**4,304**	**(1,129)**	1,840	3,709	(1,869)
Effective rate of tax	**28%**	**20%**	**11%**	174%	20%	11%
Change in tax rate	**122**	**–**	**122**	1,747	136	1,611
Other non-underlying tax credits	**288**	**–**	**288**	–	–	–
	410	**–**	**410**	1,747	136	1,611
Total tax charge	**3,585**	**4,304**	**(719)**	3,587	3,845	(258)
Effective rate of tax (post effect of non-underlying)	**31%**	**20%**	**7%**	340%	21%	2%

On 1 April 2023, the UK corporation tax rate increased from 19% to 25%.The effect of the new rate on the Group's tax charge has been applied to the financial statements. The impact of changing the tax rate from 19% to 25% on the associated assets and liabilities is outlined in the below table:

	Year ended 30 April 2023 £'000	Year ended 30 April 2022 £'000
Tax Charge at 19%	3,463	(1,840)
Tax Charge at 25%	3,585	(3,587)
Impact of change in tax rate	(122)	(1,747)

The impact of the change in tax rate on deferred tax has been classified as a non-underlying cost.

18. Earnings per share

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

	Year ended 30 April 2023 Number	Year ended 30 April 2022 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	85,597,833	83,717,952
Effect of dilutive potential ordinary shares:		
Share options	878,031	409,640
Weighted average number of ordinary shares for the purposes of diluted earnings per share	86,475,864	84,127,592
	£'000	£'000
Profit/(loss) after tax	7,944	(2,531)
Earnings per share	Pence	Pence
Basic earnings per share	9.28	(3.02)
Diluted earnings per share	9.19	(3.02)

As the Group incurred a loss after tax for the year ended 30 April 2022, the options were non-dilutive and basic and diluted earnings per share were the same in the prior year.

Underlying earnings per share is calculated as an alternative performance measure in note 37.

19. Dividends

	Year ended 30 April 2023 £'000	Year ended 30 April 2022 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 30 April 2022 of 2.04p per share (2021: 0p)	1,749	–
Interim dividend for the year ended 30 April 2023 of 1.53p per share (2022: 1.46p per share)	1,312	1,233
	3,061	1,233

For the year ended 30 April 2023 the Board have proposed a final dividend of 2.50p per share (2022: 2.04p per share). The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the register of members on 1 September 2023. The payment of this dividend will not have any tax consequences for the Group.

Notes to the consolidated financial statements continued
For the year ended 30 April 2023

20. Intangible assets and goodwill

	Goodwill £'000	Brand £'000	Customer relationships £'000	Purchased computer software £'000	Total £'000
Cost					
As at 1 May 2021	47,657	5,401	31,392	577	85,027
Acquisitions of subsidiaries	5,771	–	2,386	527	8,684
Adjustments	(1,666)	–	(47)	–	(1,713)
Additions	–	–	–	62	62
Disposals	–	–	–	(449)	(449)
Reclassification of assets held for sale	–	–	–	(114)	(114)
As at 30 April 2022	51,762	5,401	33,731	603	91,497
Acquisitions of subsidiaries	**7,764**	**–**	**1,609**	**–**	**9,373**
Adjustments	**213**	**–**	**(29)**	**(10)**	**174**
Additions	**–**	**–**	**–**	**71**	**71**
Disposals	**(78)**	**–**	**(177)**	**(169)**	**(424)**
As at 30 April 2023	**59,661**	**5,401**	**35,134**	**495**	**100,691**
Amortisation and impairment					
As at 1 May 2021	–	324	4,848	332	5,504
Amortisation charge	–	54	3,761	121	3,936
Eliminated on disposal	–	–	–	(112)	(112)
Reclassification of assets held for sale	–	–	–	(3)	(3)
As at 30 April 2022	–	378	8,609	338	9,325
Adjustments	**–**	**–**	**(3)**	**(10)**	**(13)**
Amortisation charge	**–**	**54**	**3,387**	**103**	**3,544**
Eliminated on disposal	**–**	**–**	**(17)**	**(169)**	**(186)**
As at 30 April 2023	**–**	**432**	**11,976**	**262**	**12,670**
Carrying amount					
At 30 April 2023	**59,661**	**4,969**	**23,158**	**233**	**88,021**
At 30 April 2022	51,762	5,023	25,122	265	82,172
At 30 April 2021	47,657	5,077	26,544	245	79,523

During the year ended 30 April 2022, the initial accounting for the business combination which occurred at the end of the prior year was not complete and further information came to light about estimated provisions and debt items which existed at the acquisition date.

On settling debt items on completion, it became apparent that some items had been accounted as both an acquired liability and consideration payable to the vendors. In addition, an estimated provision was subsequently identified as being overstated once the actual costs were incurred. Both items resulted in goodwill being overstated by £1.6m and the error was corrected. The error was not considered to be qualitatively material, as it has no impact on reported profits or cash flows and was c.2% of intangible assets. It was not, therefore, considered to be a prior period adjustment.

The carrying amount of goodwill of £59,661,000 (2022: £51,762,000) has been allocated to the single cash generating unit (CGU) present in the business, which is the provision of legal and professional services.

The recoverable amount of the Group's goodwill has been determined by a value in use calculation using a discounted cash flow model. The Group has prepared cash flow forecasts derived from the most recent financial budgets approved by management for the next three years after which cash flows are extrapolated using a terminal value calculation based on an estimated growth rate of 2% (2022: 2%). This rate does not exceed the expected average long-term growth rate for the UK legal services market.

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

The rate used to discount the forecast cash flows is based on a pre tax estimated weighted average cost of capital of 11.1% (2022: 12.4%).

Revenue growth over the three years of the forecast period reflects, for FY24, the current run rate of revenue from the Group's existing business and a full year of revenue from acquisitions made during the year ended 30 April 2023, and an element of organic growth in FY25 and FY26 through continued recruitment and increases in chargeable hours and recovered rates. The long-term growth rate is based on UK economic growth forecasts for the legal services market.

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

21. Acquisitions

Acquisitions summary

During the year the Group has completed three acquisitions Coffin Mew LLP, Meade King LLP and Globe Consultants Limited. The table below summarises the consideration paid and the net cash flow arising on all acquisitions in the period:

	Total £'000
Total identifiable assets less liabilities acquired	4,888
Goodwill	7,764
Total consideration	**12,652**
Satisfied by:	
Cash	9,292
Equity instruments (1,152,078 ordinary shares of Knights Group Holdings plc)	1,000
Deferred consideration arrangement	2,360
Total consideration transferred	**12,652**
Net cash outflows arising on acquisition:	
Cash consideration net of cash acquired	6,018
Net investing cash outflow arising on acquisition	**6,018**
Repayment of debt acquired	256
Net financing cash outflow arising on acquisition	**256**

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

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

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21. Acquisitions continued

Coffin Mew LLP ('Coffin Mew')
On 18 May 2022, the Group exchanged contracts to acquire Coffin Mew by purchasing 100% of the membership interests of the entity. This acquisition completed on 8 July 2022. Coffin Mew is a law firm which will strengthen Knights' existing offering and presence in the South of England and provides entry into a number of new locations with offices in Portsmouth, Southampton, Brighton and Newbury.

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

	Carrying amount £'000	Fair value adjustment £'000	Total £'000
Identifiable assets			
Identifiable intangible assets relating to customer relationships	–	1,377	1,377
Property, plant and equipment	225	–	225
Right-of-use assets	–	4,015	4,015
Contract assets	2,110	(350)	1,760
Trade and other receivables (net of £353,000 loss allowance provision)	1,661	–	1,661
Cash and cash equivalents	2,667	–	2,667
Liabilities			
Trade and other payables	(2,785)	591	(2,194)
Lease liabilities	–	(4,015)	(4,015)
Borrowings	–	(35)	(35)
Provisions	(1,063)	–	(1,063)
Deferred tax	–	(503)	(503)
Total identifiable assets and liabilities	**2,815**	**1,080**	**3,895**
Goodwill			7,236
Total consideration			**11,131**
Satisfied by:			
Cash			7,771
Deferred consideration			2,360
Equity instruments (1,152,078 Ordinary Shares of Knights Group Holdings plc)			1,000
Total consideration transferred			**11,131**
Net cash outflow arising on acquisition:			
Cash consideration (net of cash acquired)			5,104
Repayment of debt			35
Net cash outflow arising on acquisition			**5,139**

Intangibles relating to customer relationships of £1,377,000 has been arrived at using the excess earnings method. The goodwill of £7,236,000 represents the assembled workforce, with the acquisition bringing a number of new fee earners and expected synergies. None of the goodwill is expected to be deductible for income tax purposes.

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

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

The maximum undiscounted amount of all potential future payments under the contingent consideration arrangement is £2,500,000 which is payable in equal instalments on the first, second and third anniversary of completion.

There are also undiscounted deferred consideration payments totalling £2,500,000 outstanding. This is payable in instalments on the first, second and third anniversaries of completion.

Coffin Mew contributed £7,566,000 of revenue to the Group's Statement of Comprehensive Income for the period from 18 May 2022 to 30 April 2023. The profit contributed is not separately identifiable due to the hive-up of its trade and assets being incorporated into Knights Professional Services Limited from 8 July 2022.

If the acquisition occurred at the beginning of the year Coffin Mew would have contributed £7,856,000 of revenue to the Group. Profit is not separately identifiable due to the full integration on hive-up.

Globe Consultants Limited

On 9 May 2022, the Group acquired the entire share capital of Globe Consultants Limited (Globe), a planning business with 5 employees. Total consideration transferred was £122,000.

Globe contributed £224,000 of revenue to the Group's Statement of Comprehensive Income for the period from 11 May 2022 to 30 April 2023. The profit contributed is not separately identifiable due to the hive-up of its trade and assets being incorporated into Knights Professional Services Limited from 11 May 2022.

If the acquisition occurred at the beginning of the year Globe would have contributed £229,000 of revenue to the Group. Profit is not separately identifiable due to the full integration on hive-up.

Meade King LLP

On 13 January 2023, the Group exchanged contracts to acquire Meade King LLP, through the agreement to purchase the interests of the equity partners. This acquisition completed on 17 February 2023. Meade King is a law firm based in Bristol, which will strengthen Knights existing offering and presence in the South West region by adding a second office.

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

	Carrying amount £'000	Fair value adjustment £'000	Total £'000
Identifiable assets			
Identifiable intangible assets relating to customer relationships	–	155	155
Property, plant and equipment	79	–	79
Right-of-use assets	–	197	197
Contract assets	747	(50)	697
Trade and other receivables (net of £48,000 loss allowance provision)	234	–	234
Cash and cash equivalents	515	–	515
Liabilities			
Trade and other payables	(380)	(53)	(433)
Lease liabilities	–	(197)	(197)
Borrowings	(221)	–	(221)
Provisions	–	(115)	(115)
Deferred tax	–	(39)	(39)
Total identifiable assets and liabilities	**974**	**(102)**	**872**
Goodwill			527
Total consideration			**1,399**
Satisfied by:			
Cash			1,399
Total consideration transferred			**1,399**
Net cash outflow arising on acquisition:			
Cash consideration (net of cash acquired)			884
Repayment of debt			221
Net cash outflow arising on acquisition			**1,105**

Intangibles relating to customer relationships of £155,000 has been arrived at using the excess earnings method. Goodwill of £527,000 represents the assembled workforce, with the acquisition bringing a number of new fee earners and expected synergies. None of the goodwill is expected to be deductible for income tax purposes.

Notes to the consolidated financial statements continued
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21. Acquisitions continued

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

The maximum undiscounted amount of all potential future payments under the contingent consideration arrangement is £624,000 and is payable in equal instalments on the first, second and third anniversary of completion.

Meade King contributed £974,000 of revenue to the Group's Consolidated Statement of Comprehensive Income for the period from 13 January 2023 to 30 April 2023. The profit contributed is not separately identifiable due to the hive-up of its trade and assets being incorporated into Knights Professional Services Limited from 17 February 2023.

If the acquisition occurred at the beginning of the year Meade King would have contributed £3,073,000 of revenue to the Group. Profit is not separately identifiable due to the full integration on hive-up.

22. Property, plant and equipment

	Expenditure on short leasehold property £'000	Office equipment £'000	Furniture and fittings £'000	Motor Vehicles £'000	Right-of-use assets £'000	Total £'000
Cost						
As at 1 May 2021	7,875	4,456	1,041	–	45,851	59,223
Acquisitions of subsidiaries	543	224	82	–	5,224	6,073
Additions	1,292	1,176	58	–	3,144	5,670
Disposals	(1,358)	(216)	(113)	–	(1,482)	(3,169)
Alignment	5	53	4	–	–	62
As at 30 April 2022	8,357	5,693	1,072	–	52,737	67,859
Acquisitions of subsidiaries	**117**	**151**	**41**	**–**	**4,212**	**4,521**
Additions	**229**	**1,328**	**206**	**90**	**47**	**1,900**
Disposals	**(3)**	**(716)**	**(1)**	**–**	**(1,509)**	**(2,229)**
Alignment	**(10)**	**(4)**	**(1)**	**–**	**–**	**(15)**
As at 30 April 2023	**8,690**	**6,452**	**1,317**	**90**	**55,487**	**72,036**
Depreciation and impairment						
As at 1 May 2021	1,693	1,782	359	–	5,445	9,279
Depreciation charge	787	1,132	108	–	4,799	6,826
Impairment	–	–	–	–	2,065	2,065
Eliminated on disposal	(860)	(155)	(24)	–	(235)	(1,274)
Alignment	(1)	60	1	–	–	60
As at 30 April 2022	1,619	2,819	444	–	12,074	16,956
Depreciation charge	**857**	**1,369**	**127**	**11**	**5,706**	**8,070**
Eliminated on disposal	**(3)**	**(684)**	**1**	**–**	**(531)**	**(1,217)**
Impairment	**–**	**–**	**–**	**–**	**38**	**38**
Alignment	**(8)**	**(3)**	**(4)**	**–**	**–**	**(15)**
As at 30 April 2023	**2,465**	**3,501**	**568**	**11**	**17,287**	**23,832**
Carrying amount						
At 30 April 2023	**6,225**	**2,951**	**749**	**79**	**38,200**	**48,204**
At 30 April 2022	6,738	2,874	628	–	40,663	50,903
At 30 April 2021	6,182	2,674	682	–	40,406	49,944

Net impairment of £38,125 (2022: £2,065,000) due to leases being classified as onerous is included in non-underlying operating costs.

See note 28 for further details of right of use assets.

23. Contract assets and liabilities

	Contract assets £'000	Trade receivables £'000	Contract liabilities £'000
As at 30 April 2023	**38,215**	**23,610**	**(218)**
As at 30 April 2022	31,777	26,643	(237)
As at 1 May 2021	28,530	25,951	(216)

The movement during the year is not separately identifiable.

Contract assets

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

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

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

If the liability of a matter has been admitted and performance obligations satisfied, such that it is no longer contingent, these matters are valued based on the expected recoverable amount. Due to the complex nature of these matters, they can take a considerable time to be finalised therefore performance obligations may be settled in one period but the matter not billed until a later financial period. The amount of contingent fee work in progress at 30 April 2023 was £9,488,000 (2022: £7,804,000).

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

During the year, contract assets of £2,457,000 (2022: £3,731,000) were acquired in business combinations.

An impairment loss of £41,000 has been recognised in relation to contract assets in the year (2022: £41,000). This is based on the expected credit loss under IFRS 9 of these types of assets. The contract asset loss is estimated at 0.2% (2022: 0.2%) of the balance.

Trade receivables

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

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

Contract liabilities

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

24. Trade and other receivables

	30 April 2023 £'000	30 April 2022 £'000
Trade receivables	**24,524**	27,908
Impairment provision – trade receivables	**(914)**	(1,265)
Prepayments and other receivables	**7,477**	5,666
	31,087	32,309

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For the year ended 30 April 2023

24. **Trade and other receivables** continued

Trade receivables

The average credit period taken on sales is 30 days as at 30 April 2023 (2022: 31 days). No interest is charged on trade receivables. The Group uses appropriate methods to recover all balances once overdue. Once the expectation of recovery is deemed remote a debt may be written off.

The Group measures the loss allowance for trade receivables at an amount equal to 12 months expected credit losses ('ECL'). The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of a provision matrix when measuring the expected loss provision for all trade receivables. As the Group's historical credit loss experience does not show significantly different loss patterns for different client segments, the provision for loss allowance is based on past due status.

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

	2023			2022		
30 April 2023	**Gross carrying amount £'000**	**Expected credit losses £'000**	**Expected credit loss rate %**	**Gross carrying amount £'000**	**Expected credit losses £'000**	**Expected credit loss rate %**
Not past due	**13,108**	**40**	**0.31**	14,553	52	0.36
31-60 days past due	**2,961**	**16**	**0.55**	3,077	14	0.45
61-90 days past due	**1,099**	**10**	**0.85**	1,231	4	0.34
91-120 days past due	**187**	**4**	**2.01**	496	11	2.29
>120 days past due	**2,548**	**738**	**28.96**	2,861	854	29.88
12 month ECL £'000	**19,903**	**808**	**4.06**	22,218	935	4.21

In addition to the above on trade receivables a further £106,000 (2022: £330,000) impairment loss has been recognised against disbursement balances. This is based on 100% impairment against all disbursements with no activity on the matter for over 12 months and 0.2% against the remainder of the balance based upon the expected credit loss of this type of asset.

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year was as follows:

	2023 £'000	**2022 £'000**
Balance at 1 May	**1,265**	1,002
Increase in loss allowance recognised in profit of loss during the year	**468**	498
Acquired provisions	**401**	212
Receivables written off during the year as uncollectable	**(1,220)**	(447)
Balance at 30 April	**914**	1,265

25. Share capital

	Ordinary shares	
	Number	**£'000**
As at 1 May 2021	82,606,792	165
Changes during the period		
Ordinary shares of 0.2p each issued in respect of exercised share options	844,347	2
Ordinary shares of 0.2p each issued in respect of exercised share options equivalent to dividend entitlement	2,137	–
Ordinary shares of 0.2p each issued as consideration in the purchase of subsidiaries	1,187,050	2
At 30 April 2022 (allotted, called up and fully paid)	84,640,326	169
Changes during the period		
Ordinary shares of 0.2p each issued in respect of exercised share options	**21,488**	**–**
Ordinary shares of 0.2p each issued in respect of exercised share options equivalent to dividend entitlement	**84**	**–**
Ordinary shares of 0.2p each issued as consideration in the purchase of subsidiaries	**1,152,078**	**2**
At 30 April 2023 (allotted, called up and fully paid)	**85,813,976**	**171**

Included in the consideration for the purchase of subsidiaries is 1,152,078 shares in respect of the purchase of Coffin Mew LLP (see note 21).

26. Finance lease receivable

The Group sub-leases floors in two office buildings on head leases that were acquired in previous periods. The Group has classified the sub-leases as finance leases because the sub-leases are for the whole of the remaining term of the head leases.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	30 April 2023 £'000	**30 April 2022 £'000**
Less than one year	**375**	222
One to two years	**375**	222
Two to three years	**375**	222
Three to four years	**375**	222
Four to five years	**375**	222
More than five years	**435**	388
	2,310	1,498
Less: unearned finance income	**(324)**	(331)
	1,986	1,167

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For the year ended 30 April 2023

26. Finance lease receivable continued

Finance lease receivable	30 April 2023 £'000	30 April 2022 £'000
> 1 year	**1,671**	1,091
< 1 year	**315**	76
	1,986	1,167

Total lease payments received for the year ended 30 April 2023 was £237,000 (2022: £30,000)

During the year, the Group sublet a floor in the Lincoln office. The present value of this investment was £1,003,000 and the right-of-use asset derecognised had a carrying value of £938,000. The profit of £65,000 has been recognised in non-underlying operating costs.

The Group's finance lease arrangements do not include variable payments.

The Directors of the Group estimate the loss allowance on finance lease receivables at the end of the reporting period at an amount equal to lifetime ECL. None of the finance lease receivables at the end of the reporting period is past due, and considering the historical default experience and the future prospects of the sectors in which the lessees operate, the Directors of the Group consider that no finance lease receivable is impaired.

27. Disposal of subsidiary

On 25 March 2022 the Group completed the acquisition of Home Property Lawyers Limited (HPL), an entity that provides volume conveyancing services. At the time of acquisition, it was noted that the strategic options for this subsidiary were under review.

Following a period of internal review, in April 2022, management committed to a plan to sell HPL. Accordingly, all assets and liabilities were presented as a disposal of subsidiary held for sale as at 30 April 2022.

On 5 July 2022 the Group exchanged contracts to dispose of HPL . This was sold for a total consideration of £1,276,000 with a profit on disposal of £318,000. The profit on disposal has been recognised within non-underlying costs in the Consolidated Statement of Comprehensive Income.

At 30 April 2022, HPL was stated at fair value less cost to sell and comprised the following assets and liabilities.

	30 April 2022 £'000
Intangible assets	111
Contract assets	526
Trade and other receivables	428
Cash and cash equivalents	130
Assets held for sale	**1,195**
Trade and other payables	430
Liabilities held for sale	**430**

Assets held for sale did not include £69,765 due from other Group entities which were eliminated on consolidation.

28. Lease liabilities

Incremental borrowing rates applied to individual leases ranged between 1.68% and 6.51%.

The table below sets out the Consolidated Statement of Financial Position as at 30 April 2023 and 30 April 2022:

	30 April 2023 £'000	30 April 2022 £'000
Right-of-use assets		
Property	**37,693**	39,691
Equipment	**507**	972
	38,200	40,663
Lease liability		
> 1 year	**38,585**	41,183
< 1 year	**6,331**	5,345
	44,916	46,528

Right-of-use assets include additions and acquired assets of £4,212,000 (2022: £7,452,000) for property and £47,000 (2022: £916,000) for equipment. There is also depreciation of £5,234,000 (2022: £4,397,000) for property and £472,000 (2022: £402,000) for equipment.

The table below shows lease liabilities maturity analysis – contractual undiscounted cash flows at 30 April 2023:

	30 April 2023			30 April 2022		
	Property £'000	Equipment £'000	Total £'000	Property £'000	Equipment £'000	Total £'000
Less than one year	**7,312**	**426**	**7,738**	6,213	496	6,709
One to five years	**23,473**	**86**	**23,559**	21,313	506	21,819
More than five years	**22,491**	**–**	**22,491**	22,701	1	22,702
	53,276	**512**	**53,788**	50,227	1,003	51,230
Less unaccrued future interest	**(8,849)**	**(23)**	**(8,872)**	(4,663)	(39)	(4,702)
	44,427	**489**	**44,916**	45,564	964	46,528

The table below shows amounts recognised in the Consolidated Statement of Comprehensive Income for short term and low value leases as at 30 April 2023:

	30 April 2023			30 April 2022		
	Property £'000	Equipment £'000	Total £'000	Property £'000	Equipment £'000	Total £'000
Expenses relating to short-term and low value leases	**271**	**31**	**302**	146	41	187

For right-of-use asset depreciation and lease interest charges on leases see note 11 and 14. Total lease payments, including for short-term and low value leases, for the year ended 30 April 2023 were £7,810,000 (2022: £5,488,000).

Notes to the consolidated financial statements continued
For the year ended 30 April 2023

29. Borrowings

	30 April 2023 £'000	30 April 2022 £'000
Secured borrowings at amortised cost:		
Bank loans	**32,925**	32,400
Other loans	**340**	753
Total borrowings	**33,265**	33,153
Amount due for settlement within 12 months	**189**	355
Amount due for settlement after 12 months	**33,076**	32,798

The above excludes lease liabilities.

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

The Group has a credit facility of £60,000,000 in total (2022: £60,000,000). The facility remains available until 29 October 2024.

The facility is a revolving credit facility and has the ability to roll on a monthly, quarterly, half yearly basis or any other period at the Group's option and is due for final repayment in October 2024. The facility is secured by a fixed and floating charge over the Group's assets. The facility carries an interest margin above SONIA of between 1.65% and 2.40% depending on the leverage level. A commitment fee of one third of the applicable margin is payable on the undrawn amounts.

30. Deferred consideration

	30 April 2023 £'000	30 April 2022 £'000
Non-current liabilities		
Deferred consideration	**2,482**	2,421
Current liabilities		
Deferred consideration	**2,367**	1,210

Deferred consideration as at 30 April 2023 relates to the acquisition of Langleys Solicitors LLP and Coffin Mew LLP and is not contingent.

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

31. Deferred tax

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

	Accelerated capital allowances £'000	Intangible assets £'000	Share-based payments £'000	IFRS 16 £'000	Total £'000
As at 1 May 2021	544	5,840	(449)	(280)	5,655
Acquisitions of subsidiaries	–	454	–	–	454
Adjustments	125	(11)	–	–	114
Effect of change in tax rate	244	1,611	(37)	(71)	1,747
Charge/(credit) for the year	479	(112)	(33)	28	362
As at 30 April 2022	1,392	7,782	(519)	(323)	8,332
Acquisitions of subsidiaries	**–**	**403**	**–**	**159**	**562**
Adjustments	**–**	**(5)**	**–**	**–**	**(5)**
Effect of change in tax rate	**87**	**77**	**(73)**	**31**	**122**
Non-underlying charge/(credit) for the year	**–**	**(445)**	**296**	**598**	**449**
Credit for the year	**(103)**	**(780)**	**(163)**	**(26)**	**(1,072)**
As at 30 April 2023	**1,376**	**7,032**	**(459)**	**439**	**8,388**

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

	30 April 2023 £'000	30 April 2022 £'000
Deferred tax assets	**(459)**	(842)
Deferred tax liabilities	**8,847**	9,174
	8,388	8,332

32. Trade and other payables

	30 April 2023 £'000	30 April 2022 £'000
Trade payables	**5,531**	4,664
Other taxation and social security	**7,350**	7,370
Other payables	**2,410**	1,978
Accruals	**5,541**	7,350
	20,832	21,362

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 25 days (2022: 26 days). No interest is payable on the trade payables.

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

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For the year ended 30 April 2023

33. Provisions

	Dilapidation provision £'000	Onerous contract provision £'000	Professional indemnity provision £'000	Total £'000
As at 1 May 2021	3,999	6	869	4,874
Acquisitions of subsidiaries	507	–	171	678
Additional provision in the year	289	448	550	1,287
Utilisation of provision	(333)	(28)	(375)	(736)
As at 30 April 2022	4,462	426	1,215	6,103
Acquisitions of subsidiaries	**777**	**–**	**425**	**1,202**
Additional provision in the year	**44**	**8**	**500**	**552**
Utilisation of provision	**(456)**	**(152)**	**(814)**	**(1,422)**
As at 30 April 2023	**4,827**	**282**	**1,326**	**6,435**
Consisting of:				
Non-current liabilities	**3,888**	**202**	**–**	**4,090**
Current liabilities	**939**	**80**	**1,326**	**2,345**

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

The onerous contract provision relates to services and other charges on vacant offices where the Group is the lessee. The Group is actively marketing these leases for reassignment. The provision represents the Directors' estimate of the future lease payments and other associated property costs to be paid by the Group prior to reassignment of the leases. The onerous contracts provision also includes contracts acquired via acquisition that are no longer utilised but are non-cancellable. The provision represents the remaining payments and other associated property costs under the terms of the lease. Future lease payments are offset against the provision.

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

34. Financial instruments

Categories of financial instruments

	30 April 2023 £'000	30 April 2022 £'000
Financial assets		
Amortised cost		
Contract assets	**38,215**	31,777
Trade and other receivables (excluding prepayments)	**24,715**	26,919
Lease receivable	**1,986**	1,167
Cash and cash equivalents	**4,045**	4,097
Financial liabilities		
Amortised cost		
Borrowings	**33,265**	33,153
Deferred consideration	**4,849**	3,631
Trade and other payables	**11,077**	13,992
Leases	**44,916**	46,528

Financial risk management objectives

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

Market risk

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

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

Interest rate risk management

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

Interest rate sensitivity analysis

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

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's profit for the year ended 30 April 2023 would decrease/increase by £166,000 (2022: decrease/increase by £166,000). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

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

Credit risk management

Note 24 details the Group's maximum exposure to credit risk and the measurement bases used to determine expected credit losses.

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

Liquidity risk

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

Measurement of fair values

Financial assets and liabilities are measured in accordance with the fair value hierarchy and assessed as Level 1, 2 or 3 based on the following criteria:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Contingent consideration, held at fair value through profit or loss, is a Level 3 financial liability. The remaining financial instruments are measured at amortised cost. The carrying values of the Group's financial assets and liabilities approximate their fair values.

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34. Financial instruments continued

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

Contractual maturities of financial liabilities

30 April 2023	< 1 year £'000	1-2 years £'000	2-5 years £'000	Total £'000
Borrowings	189	33,028	48	33,265
Deferred consideration	2,367	2,328	154	4,849
Trade and other payables	13,482	–	–	13,482

30 April 2022	< 1 year £'000	1-2 years £'000	2-5 years £'000	Total £'000
Borrowings	355	–	32,798	33,153
Deferred consideration	1,210	1,210	1,211	3,631
Trade and other payables	13,992	–	–	13,992

Trade and other payables above exclude other taxation and social security costs.

The Group has met its covenant tests during the year.

For lease maturity see note 28.

Capital management
The capital structure of the Group consists of borrowings (as disclosed in note 29) and equity of the Group (comprising issued capital, reserves, and retained earnings as disclosed in the Statement of Changes in Equity).

In managing its capital, the Group's primary objective is to provide a return for its equity shareholders through capital growth and future dividend income. The Group seeks to maintain a gearing ratio that balances risk and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs and objectives.

Gearing ratio
The gearing ratio at the year end is as follows:

	30 April 2023 £'000	30 April 2022 £'000
Borrowings (note 29)	33,265	33,153
Cash and cash equivalents	(4,045)	(4,097)
Asset held for sale (note 27)	–	(130)
Net debt	29,220	28,926
Equity	92,807	85,659
	%	%
Net debt to equity ratio	31	34

Significant accounting policies
Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 2.

35. Reconciliation of profit before taxation to net cash generated from operations

	Year ended 30 April 2023 £'000	Year ended 30 April 2022 £'000
Profit before taxation	**11,529**	1,056
Adjustments for:		
Amortisation	**3,544**	3,936
Depreciation – property, plant and equipment	**2,364**	2,027
Depreciation – right-of-use assets	**5,706**	4,799
Loss on disposal (net of £12,000 profit) (2022: £967,000) included in non-underlying costs)	**2**	16
Contingent consideration expense	**4,436**	6,267
Non-underlying operating costs	**2,338**	6,572
Non-underlying finance costs	**152**	–
Non-underlying gain on disposal	**(318)**	–
Non-underlying share based payments	**17**	161
Share based payments	**1,248**	674
Interest income	**(52)**	(296)
Interest expense	**3,661**	2,364
Operating cash flows before movements in working capital	**34,627**	27,576
(Increase)/decrease in contract assets	**(3,924)**	628
Decrease in trade and other receivables	**3,346**	570
(Decrease)/increase in provisions	**(738)**	469
(Decrease)/Increase in contract liabilities	**(19)**	21
Decrease in trade and other payables	**(3,861)**	(4,204)
Cash generated from operations	**29,431**	25,060

36. Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's Consolidated Statement of Cash Flows as cash flows from financing activities.

	Borrowings £'000	Leases £'000
As at 1 May 2021	24,064	42,640
New borrowings and leases	47,350	3,083
Acquired borrowings and leases	3,239	4,695
Interest charged (net of £25,000 included in non-underlying)	952	1,412
Interest paid	(648)	(1,412)
Non-cash movement	(301)	–
Repayments (net of £296,000 included in non-underlying)	(41,503)	(3,890)
As at 1 May 2022	33,153	46,528
New borrowings and leases	**34,425**	**–**
Acquired borrowings and leases	**256**	**4,212**
Interest charged	**2,135**	**1,526**
Interest paid	**(2,135)**	**(1,526)**
Non-cash movement	**12**	**3**
Repayment of debt acquired with prior year subsidiaries	**(438)**	**–**
Repayments	**(34,156)**	**–**
Amounts included in operating activities	**13**	**(388)**
As at 30 April 2023	**33,265**	**44,916**

Notes to the consolidated financial statements continued
For the year ended 30 April 2023

37. Alternative performance measures

This Annual Report contains both statutory measures and alternative performance measures. In management's view the underlying performance of the business provides a more meaningful measure and year on year comparison of how the Group's business is managed and measured on a day-to-day basis.

The Group's alternative performance measures and key performance indicators are aligned to the Group's strategy and together are used to measure the performance of the business.

Alternative performance measures are non-GAAP (Generally Accepted Accounting Practice) measures and provide supplementary information to assist with the understanding of the Group's financial results and with the evaluation of operating performance for all the periods presented. Alternative performance measures, however, are not a measure of financial performance under UK-adopted International Financial Reporting Standards ('IFRS') and should not be considered as a substitute for measures determined in accordance with IFRS. As the Group's alternative performance measures are not defined terms under IFRS they may therefore not be comparable with similarly titled measures reported by other companies.

Reconciliations of alternative performance measures to the most directly comparable measures reported in accordance with IFRS are provided below.

a) Underlying EBITDA

Underlying EBITDA is presented as an alternative performance measure to show the underlying operating performance of the Group excluding the effects of depreciation, amortisation and non-underlying items.

	Year ended 30 April 2023 £'000	**Year ended 30 April 2022 £'000**
Operating profit	**15,290**	3,398
Depreciation and amortisation charges (note 11)	**11,616**	10,778
Non-underlying costs (note 13)	**6,791**	13,260
Non-underlying gains on disposal (note 13)	**(318)**	–
Underlying EBITDA	**33,379**	27,436

b) Underlying profit before tax (PBT)

Underlying PBT is presented as an alternative performance measure to show the underlying performance of the Group excluding the effects of amortisation of intangible assets and non-underlying items.

	Year ended 30 April 2023 £'000	**Year ended 30 April 2022 £'000**
Profit before tax	**11,529**	1,056
Amortisation (adjusted for amortisation on computer software)	**3,441**	3,815
Non-underlying costs (note 13)	**6,791**	13,260
Non-underlying gains on disposal (note 13)	**(318)**	–
Non-underlying finance costs (note 13)	**152**	–
Underlying profit before tax	**21,595**	18,131

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

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

	Year ended 30 April 2023 £'000	Year ended 30 April 2022 £'000
Profit/(Loss) after tax	**7,944**	(2,531)
Non-underlying tax charge (note 17)	**410**	1,747
Amortisation (adjusted for amortisation on computer software)	**3,441**	3,815
Non-underlying operating costs (note 13)	**6,625**	13,260
Tax in respect of the above (note 17)	**(1,129)**	(1,869)
Underlying profit after tax	**17,291**	14,422
Underlying earnings per share	**Pence**	**Pence**
Basic underlying earnings per share	**20.20**	17.23
Diluted underlying earnings per share	**20.00**	17.14

Tax has been calculated at the corporation tax rate of 19.5% (2022: 19%) and deferred tax rate of 25% (2022: 25%)

d) Free cash flow and cash conversion %

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

	Year ended 30 April 2023 £'000	Year ended 30 April 2022 £'000
Cash generated from operations (note 35)	**29,431**	25,060
Tax paid	**(2,424)**	(4,095)
Net cash outflow for IFRS 16 leases	**(6,728)**	(5,302)
Free cashflow	**20,279**	15,663
Underlying profit after tax	**17,291**	14,422
Cash conversion (%)	**117%**	109%

e) Net debt

Net debt is presented as an alternative performance measure to show the net position of the Group after taking account of bank borrowings and cash at bank and in hand.

	30 April 2023 £'000	30 April 2022 £'000
Borrowings (note 29)	**33,265**	33,153
Cash and cash equivalents	**(4,045)**	(4,097)
Asset held for sale (note 27)	**–**	(130)
Net debt	**29,220**	28,926

38. Capital commitments

As at 30 April 2023 there is a capital commitment of £nil (2022: £72,000).

Notes to the consolidated financial statements continued
For the year ended 30 April 2023

39. Defined benefit pension schemes

The Stonehams Pension Scheme

The Group operates a legacy defined benefit pension arrangement, the Stonehams Pension Scheme (the "Scheme"). The Scheme provides benefits based on salary and length of service on retirement, leaving service, or death. The following disclosures exclude any allowance for any other pension schemes operated by the Group.

The Scheme was acquired as part of the acquisition of ASB Law where contracts were exchanged on 5 March 2020. Therefore, the disclosures below represent the period of ownership from 5 March 2020 to 30 April 2023. The scheme is closed and provides benefits for 40 legacy employees (now pensioners and deferred members).

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Group must agree with the Trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective.

The most recent comprehensive actuarial valuation of the Scheme was carried out as at 31 December 2021. The results of that valuation were updated to 30 April 2023 allowing for cashflows in and out of the Scheme and changes to assumptions over the period.

From January 2022 it was agreed that Employer contributions towards administration expenses would be deferred until January 2025. Administration expenses are to be met directly from the assets of the Scheme. The Group will separately meet the cost of the PPF levy.

The Scheme typically exposes the Group to actuarial risks such as: investment risk, interest rate risk and longevity risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently assets are invested in a variety of funds, which will reduce volatility. The investment approach is reviewed every three years as part of the valuation process.
Interest risk	There is some hedging in the asset portfolio, but at a low level. A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability. The average duration of the Scheme's obligations is 12 years.

Actuarial assumptions

Principal actuarial assumptions

	30 April 2023 %	**30 April 2022 %**
Discount rate	**4.66**	3.05
Retail Prices Index ("RPI") Inflation	**3.28**	4.00
Consumer Price Index ("CPI") Inflation	**2.38**	3.30
Pension increase (LPI 5%)	**3.16**	3.72
Pension increase (LPI 2.5%)	**2.17**	2.34
	90%/100% (m/f) S2PA CMI_2020 projections (with standard smoothing parameter of 7.5) using a long-term improvement rate of 1.0% pa	90%/100% (m/f) S2PA CMI_2020 projections (with standard smoothing parameter of 7.5) using a long-term improvement rate of 1.0% pa
Commutation	**80% of members are assumed to take the maximum tax free cash possible using current commutation factors**	80% of members are assumed to take the maximum tax free cash possible using current commutation factors
Life expectancy at age 65 of male aged 45	**22.6**	22.6
Life expectancy at age 65 of male aged 65	**24.2**	24.2
Life expectancy at age 65 of female aged 45	**23.6**	23.6
Life expectancy at age 65 of female aged 65	**25.4**	25.3

The weighted average duration of the Scheme's obligations is 12 years.

The current asset split is as follows:

	Asset allocation at 30 April 2023	Asset allocation at 30 April 2022
Equities and growth assets	**50%**	70%
Bonds, LDI and cash	**50%**	30%

	Value as at 30 April 2023 £'000	Value as at 30 April 2022 £'000
Fair value of assets	**2,314**	3,047
Present value of funded obligations	**(1,736)**	(2,355)
Surplus in scheme	**578**	692
Deferred tax	**–**	–
Net defined benefit surplus after deferred tax	**578**	692

The fair value of the assets can be analysed as follows:

	Value as at 30 April 2023 £'000	Value as at 30 April 2022 £'000
Low risk investment funds	**1,156**	625
Credit investment funds	**696**	1,513
Cash	**462**	909
Fair value of assets	**2,314**	3,047

	30 April 2023 £'000	30 April 2022 £'000
Administration costs	**39**	28
Net interest on liabilities	**(21)**	(8)
Total charge to the Statement of Comprehensive Income	**18**	20

Remeasurements over the period since acquisition

	30 April 2023 £'000	30 April 2022 £'000
Loss on assets in excess of interest	**(694)**	(115)
Gain on scheme obligation from assumptions and experience	**675**	361
Loss on scheme obligations due to scheme experience	**(77)**	–
Gain on scheme obligations from demographic assumptions	**–**	2
Total remeasurements	**(96)**	248

Notes to the consolidated financial statements continued
For the year ended 30 April 2023

39. Defined benefit pension schemes continued

The change in value of assets

	30 April 2023 £'000	30 April 2022 £'000
Fair value of assets brought forward	3,047	3,255
Interest on assets	91	58
Benefits paid	(91)	(123)
Administration costs	(39)	(28)
Loss on assets in excess of interest	(694)	(115)
Fair value of assets carried forward	2,314	3,047
Actual return on assets	(603)	(57)

Change in value of liabilities

	30 April 2023 £'000	30 April 2022 £'000
Value of liabilities brought forward	2,355	2,791
Interest cost	70	50
Benefits paid	(91)	(123)
Actuarial gain	(598)	(363)
Value of liabilities carried forward	1,736	2,355

Sensitivity of the value placed on the liabilities
Approximate effect on liability

	30 April 2023 £'000	30 April 2022 £'000
Discount rate		
Minus 0.50%	110	191
Inflation		
Plus 0.50%	89	139
Life Expectancy		
Plus 1.0 years	52	102

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation rate and mortality. The sensitivity analysis above has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The With Profits Section of the Cheviot pension
Allocation of liabilities between employers

The With Profits Section was acquired as part of the acquisition of ASB Law where the transaction completed on 17 April 2020.

The Trustee has discretion under the contribution rule on how the cost of providing the benefits of the With Profits Section is allocated between employers. The contribution rule applies until the earlier of the discharge of the employer by the Trustee and the termination of the With Profits Section. The Trustee's current policy is not to discharge employers. Employers therefore remain liable under the contribution rule even if their last member dies or transfers out.

The Trustee has been considering how best to ensure all employers bear an appropriate share of the With Profits Section's obligations whilst ensuring fairness between employers and a practical and transparent methodology for the future.

As discussed at the Employers' Meeting on 5 July 2017, the Trustee has decided to fix the allocation between employers on the basis of the promised benefits just before the Section was re-classified in 2014 (the valuation as at 31 December 2013). The allocation to each employer will be expressed as a percentage of the total Scheme liabilities. The intention is to apply this percentage to any funding, buyout or IFRS deficit in the future to calculate any contribution that may be due or any accounting liability.

The estimated percentage in relation to Knights Professional Services Limited is 0.790%.

This approach enables each employer to calculate the extent of their obligation to the Section on the basis of the funding level at any time. Cheviot will publish funding updates on the website: quarterly, on the scheme funding basis, which includes an allowance for future investment returns; and annually, on an estimated buyout basis, which looks at the position should all benefits be secured with an external provider.

Estimated funding position as at 30 April:

	Scheme funding basis	
	30 April 2023 £'000	**30 April 2022 £'000**
Total assets	**64,200**	80,100
Total liabilities excluding expenses	**(68,500)**	(78,500)
(Deficit)/Surplus	**(4,300)**	**1,600**
Funding level	**94%**	102%

Information provided for 30 April 2023 is as at 31 March 2023, the latest information available. This is not expected to be materially different from the 30 April 2023 position.

Allocation to the Group

The estimated share of the Scheme liabilities is 0.790%.

Over the year to 30 April 2023, the Section's funding position is a small deficit.

	30 April 2023 £'000	**30 April 2022 £'000**
Estimated cost of providing benefits	**(541)**	(620)
Value of assets	**507**	633
Resulting (deficit)/surplus	(34)	**13**
Funding level	**94%**	102%

The deficit has not been recognised as management consider this to be temporary and not material.

The Trustee continues to monitor the funding position.

The Trustee reserves the right to withdraw, replace or amend the policy for the allocation between employers in the future.

40. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its other related parties are disclosed below.

KPV Propco Ltd is a company controlled by Mr DA Beech, a person with significant influence over the Group and a member of key management personnel.

The Group leases a property from KPV Propco Ltd. During the year rents of £376,000 (2022: £376,000) were charged by KPV Propco Ltd to the Group. A lease of The Brampton, Newcastle-under-Lyme was granted for a term of 25 years from and including 24 July 2017 to 24 July 2039 at a current rent of £376,000 per annum (excluding VAT).

During the year Knights Professional Services Limited charged KPV Propco Ltd for professional services totalling £nil (2022: £1,000) and a management fee of £20,000 (2022: £20,000).

Notes to the consolidated financial statements continued
For the year ended 30 April 2023

40. Related party transactions continued

At 30 April 2023, there was an amount of £16,000 owed by KPV Propco Ltd to the Group (2022: £55,000 owed by the Group to KPV Propco Ltd).

During the year Knights Professional Services Limited provided legal services to the Directors in an individual capacity of £32,000 (2022: £77,000). At 30 April 2023, there was an amount of £nil (2022: £nil) owed to the Group from the Directors.

Remuneration of key management personnel
The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 30 April 2023 £'000	**Year ended 30 April 2022 £'000**
Short-term employee benefits and social security costs	**1,422**	1,424
Gains on exercise of options		913
Pension costs	**20**	25
Share-based payments	**50**	(132)
	1,492	2,230

Key management personnel includes Board members and directors of the Group and the main trading company Knights Professional Services Limited.

Transactions with directors
Dividends totalling £664,000 (2022: £250,000) were paid in the year in respect of ordinary shares held by the Company's directors.

41. Contingent liability

Included within other creditors is a contingent consideration liability, this arises on acquisition and the liability is contingent on employees completing a specified length of service. The value of the contingent liability is £4,795,000 (2022: £6,204,000).

42. Post balance sheet events

On 1 May 2023 the Group exchanged contracts to acquire 100% of the voting rights of Baines Wilson LLP, a leading commercial law firm in the North West of England with offices in Carlisle and Lancaster.

Total consideration payable is £3.37 million. This comprises an initial cash consideration of £2.35m, with deferred cash consideration of £1.02m to be paid as £0.34m on the first, second and third anniversaries following completion in each case subject to the satisfaction of certain conditions. Completion took place on 2 June 2023.

In its unaudited accounts for the year ended 31 March 2023, Baines Wilson reported revenue of £3.2m and a corporatised PBT margin of c. 20%. Accounting for a typical 20% revenue churn post-acquisition, the Board expects the acquisition to be immediately earnings enhancing, with Baines Wilson expected to contribute an adjusted PBT margin of c. 25% post synergy savings.

On 1 May 2023 the Group exchanged contracts to acquire 100% of the share capital of St James' Law Limited (trading as St James' Square), an independent full service commercial law firm located in Newcastle, the financial centre of the North East of England.

Under the terms of the acquisition, Knights will acquire St James' Square from its four existing owner-managers, two employees and an investor on a debt free, cash free basis, for a total consideration of £1.75m. This comprises an initial cash consideration of £0.5m, with deferred payments of £1.25m to be paid as £0.7m on the first and £0.55m on the second anniversary following completion in each case subject to the satisfaction of certain conditions. Completion took place on 16 June 2023.

In its unaudited accounts for the year ended 31 December 2022, St James' Square reported revenue of £2.4m and a corporatised PBT margin, excluding the debt recovery business, of c. 5%. Accounting for a typical 20% revenue churn post-acquisition, the Board expects the acquisition to be immediately earnings enhancing, with St James' Square expected to contribute an adjusted PBT margin of c. 15% post synergy savings.

Initial accounting for the business combination is not yet complete and the fair value of net assets acquired has not yet been determined; accordingly details of the assets acquired and liabilities assumed, and goodwill arising on the acquisitions, cannot be given.

Company statement of financial position
As at 30 April 2023

	Note	30 April 2023 £'000	30 April 2022 £'000
Assets			
Non-current assets			
Investments in subsidiaries	46	**3,457**	2,267
Amounts receivable from subsidiaries	47	**81,584**	80,665
		85,041	82,932
Current assets			
Trade and other receivables		**22**	25
Total assets		**85,063**	82,957
Equity and liabilities			
Equity			
Share capital		**171**	169
Share premium		**75,262**	74,264
Share based payment reserve		**4,464**	3,199
Other reserve		**(100)**	(100)
Retained earnings		**4,758**	5,217
Equity attributable to owners of the Company		**84,555**	82,749
Current liabilities			
Trade and other payables		**91**	76
Corporation tax liability		**417**	132
Total liabilities		**508**	208
Total equity and liabilities		**85,063**	82,957

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own Statement of Comprehensive Income. The Company reported a profit for the year ended 30 April 2023 of £2,602,000 (2022: £2,135,000).

The financial statements were approved by the board and authorised for issue on 7 July 2023 and are signed on its behalf by:

Kate Lewis
Director

Registered No. 11290101

Company statement of changes in equity
For the year ended 30 April 2023

	Share capital £'000	Share premium £'000	Share-Based Payments £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 May 2021	165	68,369	2,364	(100)	4,315	75,113
Profit for the period and total comprehensive income	–	–	–	–	2,135	2,135
Transactions with owners in their capacity as owners:						
Credit to equity for equity-settled share-based payments	–	–	835	–	–	835
Issue of shares	4	5,895	–	–	–	5,899
Dividends	–	–	–	–	(1,233)	(1,233)
At 30 April 2022	**169**	**74,264**	**3,199**	**(100)**	**5,217**	**82,749**
Profit for the period and total comprehensive income	**-**	**-**	**-**	**-**	**2,602**	**2,602**
Transactions with owners in their capacity as owners:						
Credit to equity for equity-settled share-based payments	**–**	**–**	**1,265**	**–**	**–**	**1,265**
Issue of shares	**2**	**998**	**–**	**–**	**–**	**1,000**
Dividends	**–**	**–**	**–**	**–**	**(3,061)**	**(3,061)**
Balance at 30 April 2023	**171**	**75,262**	**4,464**	**(100)**	**4,758**	**84,555**

Notes to the Company financial statements

43. Accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except as noted below.

Investments in subsidiaries

Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment.

On 18 June 2018, the whole of the share capital of Knights 1759 Limited was acquired by the Company via a share for share exchange agreement. This was a Group reorganisation satisfying the criteria of IAS 27:13. The investment cost is measured at £nil because the carrying amount of the equity items shown in the separate financial statements of Knights 1759 Limited was negative at the date of the reorganisation.

Investments in subsidiaries includes capital contributions to subsidiaries as a result of the issue of equity-settled share-based payments to employees of subsidiaries. The accounting policy for share-based payments is set out in note 2.15 to the consolidated financial statements.

44. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 43, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Recoverability of amounts due from subsidiaries

Due to the requirements of IFRS9, Management uses judgements to assess the recoverability of amounts receivable from subsidiaries through the potential proceeds from the sale of subsidiaries.

There are no other major accounting judgements or key sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities within the next financial year.

45. Profit for the year

As permitted by s408 of the Companies Act 2006, no separate Statement of Comprehensive Income is presented in respect of the parent Company. The profit attributable to the Company is disclosed in the footnote to the Company's Statement of Financial Position.

The auditor's remuneration for audit and other services is disclosed in note 16 to the consolidated financial statements.

The average monthly number of employees comprised of the executive directors and non-executive directors and was 5 (2022: 6). Their aggregate remuneration borne by the Company was £nil (2022: £nil). All remuneration is borne by a subsidiary entity and no recharge is made to the Company in respect of their services as it is not practicable to allocate the costs appropriately.

The directors' emoluments are disclosed in note 8 to the consolidated financial statements.

Notes to the Company financial statements continued

46. Investments in subsidiaries

	£'000
Cost and net book value	
At 30 April 2021	2,364
Capital contribution in respect of equity-settled share-based payments	835
Recharge of exercised share options	(932)
At 30 April 2022	2,267
Capital contribution in respect of equity-settled share-based payments	**1,265**
Recharge of exercised share options	**(75)**
At 30 April 2023	**3,457**

Further information about share-based payment transactions is provided in note 9 to the consolidated financial statements.

Details of the Company's subsidiaries at 30 April 2023 are as follows:

Name	Place of business and registered office address	Principal activity	Class of shares	Proportion of ownership interest %	Proportion of voting power held %
Knights 1759 Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Holding company	Ordinary	100%	100%
Knights Professional Services Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Provision of legal and professional services	Ordinary	100%	100%
Turner Parkinson LLP	The Brampton, Newcastle-Under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	99.99%	99.99%
Darbys Solicitors LLP	Midland House West Way, Botley, Oxford, OX2 0PH	Dormant	N/A	99.99%	99.99%
Knights Solicitors LLP	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	100%	100%
BrookStreet des Roches LLP	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	99.99%	99.99%
K & S Secretaries Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Knights Trustee Company No.1 Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Knights Trustee Company No.2 Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
K & S Directors Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
K & S (Nominees) Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
K & S (560) Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%***
ASB Aspire Limited Liability Partnership	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
ASB Law LLP	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Gavin White Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Richard Wollacott Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Dakeyne Emms Gilmore Liberson Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	D Ordinary E Ordinary G Ordinary L Ordinary	100%	100%

Name	Place of business and registered office address	Principal activity	Class of shares	Proportion of ownership interest %	Proportion of voting power held %
Shulmans LLP	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	99.9%	99.9%
SLS Trust Corporation Limited**	C/O Shulmans LLP, 10 Wellington Place, Leeds, England, LS1 4AP	Dormant	Ordinary	100%	100%
Mundays LLP	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	100%	100%
K & S Trust Corporation Limited**	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	100%	100%
Knights Wealth Management Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Keebles LLP	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Archers Law Limited Liability Partnership	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	100%	100%
Langleys Solicitors LLP*	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	100%	100%
Langleys Law Firm Limited	Queens House, Micklegate, York, North Yorkshire, YO1 6WG	Dormant	Ordinary	100%	100%
Coffin Mew LLP*	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	100%	100%
Coffin Mew Trust Corporation Limited*	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Radnor Trustees Limited*	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
CLM Trustees Limited*	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Meade King LLP*	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%

* The acquired entities were active during the financial year, but are dormant as at 30 April 2023.

** Indirect ownership through each of the direct parent companies, being Knights Professional Services Limited and K&S Directors Limited.

47. Amounts receivable from subsidiaries

	30 April 2023 £'000	30 April 2022 £'000
Amounts receivable from subsidiaries	**81,584**	80,665

Amounts receivable from subsidiaries are unsecured and repayable on demand. Interest is charged at a rate of 5% per annum (3.5% to 1 August 2022) and is payable annually on 30 April each year. Unpaid interest on 30 April each year is added to the principal of the loan.

The balances are considered recoverable (see note 44), therefore the Company has recognised a loss allowance of £nil (2022: £nil) against amounts receivable from subsidiaries.

48. Capital and reserves

The movements on share capital are disclosed in note 25 to the consolidated financial statements.

Share premium represents consideration received for shares issued above their nominal value net of transaction costs.

The share based payment reserve is a non-distributable reserve representing the total credits to equity in respect of equity-settled share-based payment charges recognised as capital contributions within investments.

The other reserve arose as a result of applying the requirements of IAS 27:13 to the share-for-share exchange acquisition of Knights 1759 Limited because the total equity of Knights 1759 Limited was less than the nominal value of the shares issued by the Company as consideration.

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

Glossary of terms

Financial Performance Measure

This document contains certain financial measures that are not defined or separately recognised under IFRS. These measures are used by the Board and other users of the accounts to evaluate the Group's underlying trading performance excluding the impact of any non-recurring items and items that do not reflect the underlying day-to-day trading of the Group. These measures are not audited and are not standard measures of financial performance under IFRS. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. Accordingly, these measures should be viewed as supplemental to, not as a substitute for, the financial measures calculated under IFRS.

Underlying EBITDA

Underlying EBITDA is presented as an alternative performance measure to show the underlying operating performance of the Group excluding the effects of depreciation, amortisation, and non-underlying items.

	Year ended 30 April 2023 £'000	**Year ended 30 April 2022 £'000**
Operating profit	**15,290**	3,398
Depreciation and amortisation charges	**11,616**	10,778
Non-underlying costs (note 13)	**6,791**	13,260
Non-underlying gains on disposal (note 13)	**(318)**	–
Underlying EBITDA	**33,379**	27,436

Underlying Profit Before Tax (PBT)

Underlying PBT is presented as an alternative performance measure to show the underlying performance of the Group excluding the effects of amortisation of acquired intangible assets, and non-underlying items.

	Year ended 30 April 2023 £'000	**Year ended 30 April 2022 £'000**
Profit before tax	**11,529**	1,056
Amortisation (adjusted for amortisation on computer software)	**3,441**	3,815
Non-underlying costs (note 13)	**6,791**	13,260
Non-underlying gains on disposal (note 13)	**(318)**	–
Non-underlying finance costs (note 13)	**152**	–
Underlying profit before tax	**21,595**	18,131

Underlying Operating profit to Underlying Profit Before Tax (PBT)

	Year ended 30 April 2023 £'000	**Year ended 30 April 2022 £'000**
Operating profit before non-underlying charges	**21,763**	16,658
Less: Finance costs	**(3,661)**	(2,364)
Add: Amortisation of acquired intangibles	**3,441**	3,815
Add: Finance income	**52**	22
Underlying profit before tax	**21,595**	18,131

Underlying Profit After Tax (PAT) and Underlying Earnings per Share (EPS)

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

	Year ended 30 April 2023 £'000	**Year ended 30 April 2022 £'000**
Profit/(loss) after tax	**7,944**	(2,531)
Effect of change in deferred tax rate	**410**	1,747
Amortisation of acquired intangibles	**3,441**	3,815
Non-underlying operating costs (note 13)	**6,625**	13,260
Tax in respect of the above	**(1,129)**	(1,869)
Underlying profit after tax	**17,291**	14,422

Underlying earnings per share	**Pence**	**Pence**
Basic underlying earnings per share	20.20	17.23
Diluted underlying earnings per share	20.00	17.14

Free Cash Flow and Cash Conversion %

Free cash flow measures the Group's underlying cash generation.

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

	Year ended 30 April 2023 £'000	**Year ended 30 April 2022 £'000**
Cash generated from operations (note 35)	**29,431**	25,060
Tax paid	**(2,424)**	(4,095)
Net cash outflow for IFRS16 leases	**(6,728)**	(5,302)
Free cashflow	**20,279**	15,663
Underlying profit after tax	**17,291**	14,422
Cash conversion (%)	**117%**	109%

Net debt

Net debt is presented as an alternative performance measure to show the net position of the Group after taking account of bank borrowings and cash at bank and in hand.

	30 April 2023 £'000	**30 April 2022 £'000**
Borrowings (note 29)	**33,265**	33,153
Cash and cash equivalents	**(4,045)**	(4,097)
Asset held for sale (note 27)	**–**	(130)
Net debt	**29,220**	28,926

Glossary of terms continued

Working Capital

Working capital is calculated as:

	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
Current liabilities		
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

Other Definitions

Colleague/Talent Retention/Employee Turnover

Churn is calculated based on the number of qualified fee earners who had been employed by the Group for more than one year. Churn is calculated taking the number of leavers in the above group over the financial year as a percentage of the average number of colleagues for the year. Retention is 100% less the churn rate. Churn excludes expected churn from acquisitions.

Fee Earner Concentration

This is calculated taking the largest fees allocated to an individual fee earner as a percentage of the total turnover for the year and demonstrates the Group's reliance on the fee earning potential of an individual fee earner.

Client Concentration

On an individual basis this is calculated as the percentage of total turnover for the financial year that arises from fees of the largest client. For the top 10 client concentration calculation this takes the fee income from the 10 largest clients for the year as a percentage of the total turnover for the year.

Top 50 clients

Based on fee income from the 50 largest clients for the year, excluding CL Medilaw and one off transactions.

Client Satisfaction

Net Promoter Score ('NPS') measures the loyalty of a client to a company and can be used to gauge client satisfaction. NPS scores are measured with a single question survey and reported with a number from -100 to +100, the higher the score, the higher the client loyalty/satisfaction.

Colleague Satisfaction

Employee Net Promoter Score ('ENPS') measures the loyalty of employees to a company and how likely they are to recommend their employer as a place to work, which can also be used to gauge employee satisfaction. ENPS scores are measured with a single question survey and reported with a number from -100 to +100, the higher the score the higher the employee loyalty.

Fee Earners

When referring to the number of fee earners in the Group we include all individuals working in the Group on a mainly fee earning basis. This includes professionals (legal and non-legal) of all levels including paralegals, trainees and legal assistants. When referring to the number of fee earners in the business this will refer to the absolute number of individuals working in the Group. When using the number of fee earners to calculate the average fees or profit per fee earner or the ratio of fee earners to support staff these calculations are based on the number of full-time equivalent ('FTE') individuals to reflect that a number of individuals choose to work on a part-time basis.

Non-Fee Earners/Support Staff
This includes all employees that are not fee earning.

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

Lock up days excludes the impact of acquisitions in the last quarter of the financial year.

Organic growth
Organic growth excludes revenue growth from acquisitions in the year of their acquisition, and for the first full financial year following acquisition, based on the fees generated by the individuals joining the Group from the acquired entity. Recruitment of individuals into the acquired offices post acquisition is treated as part of the organic growth of the business.

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Shareholder information

Directors

DA Beech (appointed 4 April 2018)
KL Lewis (appointed 9 May 2018)
BS Johal (appointed 1 June 2018)
G Davies (appointed 17 March 2021)
J Pateman (appointed 14 January 2019)

Secretary

L Bridgwood (appointed 1 June 2018)

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Notes

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