Knights Group Holdings plc

Knights is leading change in the legal and professional services sector outside London.

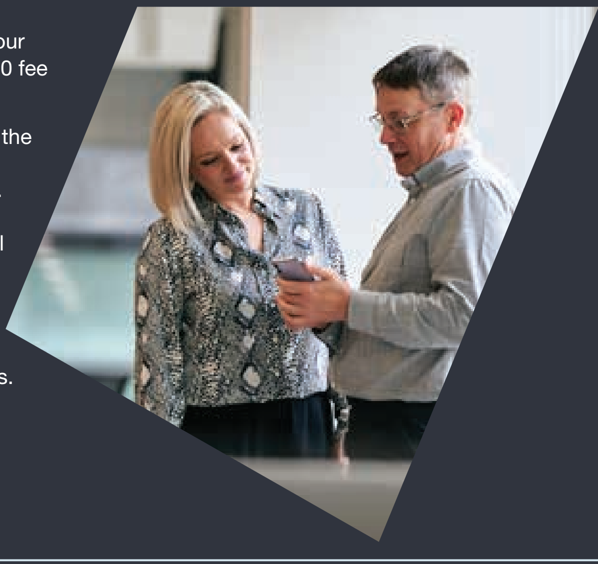
After a decade of building scale, we have elevated our reputation through our innovative culture and corporatised model, making Knights ever more attractive to its existing and new clients, top industry talent and high-quality acquisition candidates.

We are realising our vision of leading the market outside London, delivering quality advice to our clients across a range of services through a client-centric approach which is underpinned by Knights' unique, 'one team' culture.

People are at the heart of our business. We maintain a focus on attracting and retaining high-calibre industry professionals which means we consistently recruit from Top 40 law firms. Our structure, which offers an attractive alternative to the traditional equity partnership model, remains a strong draw for candidates across the country.

This approach, together with our successful acquisition strategy, has allowed us to scale our business and we now employ more than 1,000 fee earners across our 18 UK offices.

Our people are focused on delivering against the needs of clients with speed and efficiency, providing advice aligned with their objectives. This reinforces our reputation as a trusted advisor and enables us to deliver exceptional levels of service and real value to our clients. We are proud to retain longstanding relationships across a range of companies spanning multinational corporations, national companies and small and medium enterprises.



A decade in

Elevating our credibility as a leading legal and professional services business.

Knights has continued to grow at pace this year, welcoming new colleagues and outstanding businesses that are closely aligned with our culture and vision. Our successful approach to integration is recognised and respected across the industry, with businesses acquired over recent years performing well.

We have continued to build on this strong track record, executing our strategy of organic growth through strategic recruitment and carefully targeted acquisitions, expanding our geographic footprint and broadening our scale and range of complementary services. The sector remains favourable for further consolidation, and we continue to explore a range of acquisition opportunities across the UK.

Our business model, which has proven resilient across the economic cycle, continues to serve us well and has allowed us to navigate recent challenges, facilitating growth and development.

Knights' model is driven by a highly commercial mindset, excellent operational infrastructure, a strong management team, ongoing investment in best-in-class technology and processes to boost efficiency and performance across the business. This positions us strongly to continue to scale the business sustainably.

Strategic Report

Financial Highlights

Despite trading headwinds at the end of the financial year, the Group has delivered good revenue growth and excellent cash conversion with year end net debt ahead of expectations.

Revenue
£125.6m
+22% (2021: £103.2m)

Underlying PBT*
£18.1m
(2021: £18.4m)

Reported PBT
£1.1m
(2021: £5.5m)

Post tax (loss)/profit
£(2.5)m
(2021: £3.4m)

a decade ahead

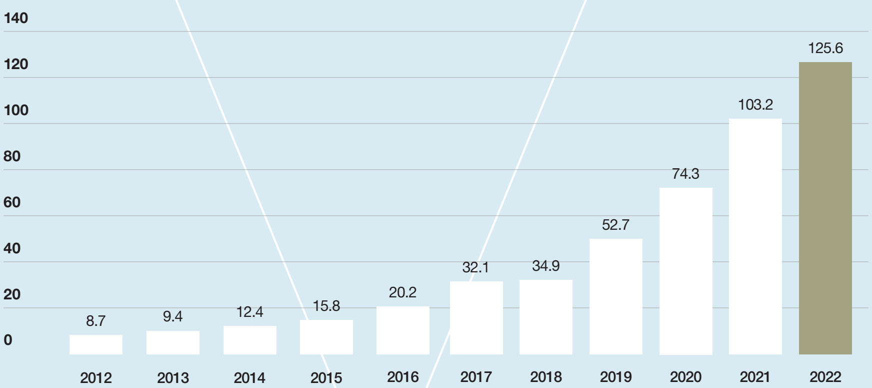
Net debt
£28.9m
(2021: £21.1m)

Underlying EPS*
17.23p
(2021: 18.30p)

Reported EPS
(3.02)p
(2021: 4.14p)

Cash conversion*
109%
(2021: 96%)

Revenue (£m)



Note

* The Group reports certain Alternative Performance Measures ('APMs') as management believe these measures provide valuable additional information for the understanding of the underlying trading performance of the business. In particular, underlying profit measures are used to provide the users of the accounts a clear understanding of the underlying profitability of the business over time. Full definitions and explanations of these measures and reconciliations to the most directly referenceable IFRS line item are provided on pages 126-127.

At a Glance

Who we are

Over the past decade Knights has grown to become a leading legal and professional services business outside London, with over 1,000 fee earners operating from 18 office locations across the UK.

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

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

Our unique culture and early adoption of a corporate structure in 2012 underpins our 'one team' approach and is a key driver of our competitive advantage. It ensures our professionals are always working in the best interests of our clients and the success of the Group as a whole, rather than focusing on their own individual performance.

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

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

What we do

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

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

Who we work with

We have longstanding relationships with a range of clients from national and international corporations through to local and regional small and medium enterprises.

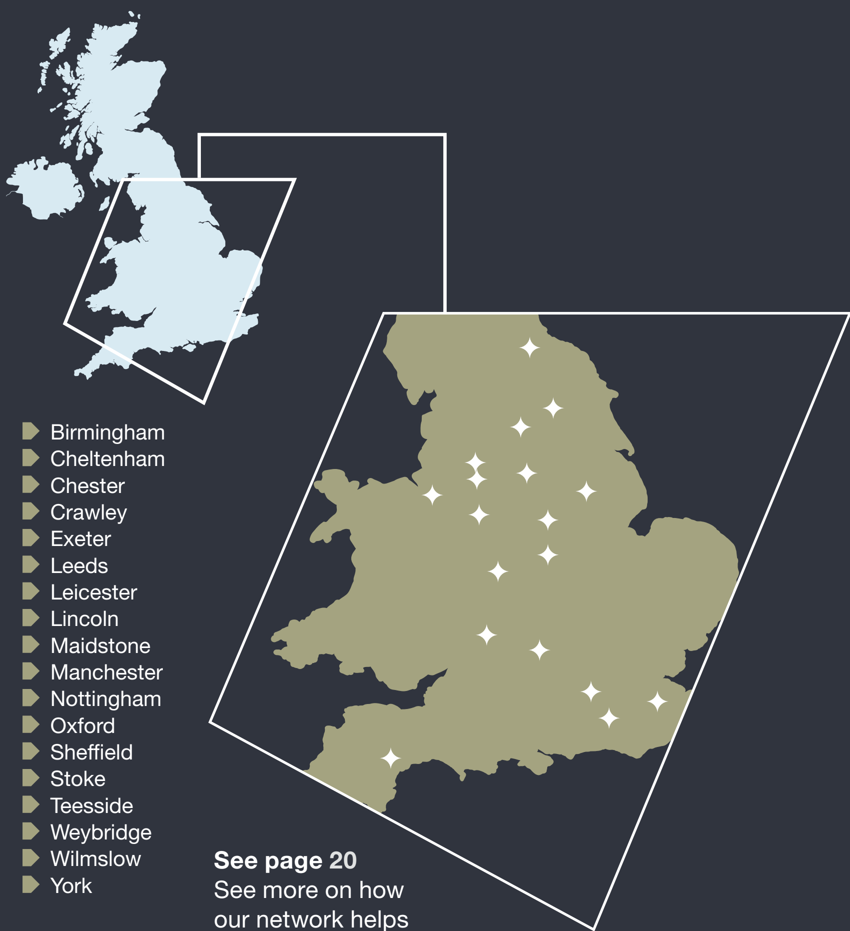
Our presence in regional locations means that we also bring strong local market knowledge and networks, offering quality advice from a competitive cost base.

We are proud to work with a highly diversified client base delivering corporate services to over 10,000 clients in addition to our private wealth clients, with no single client accounting for more than 2.5% of revenue.

Our private wealth offering provides a full range of premium services to high net worth clients and families across the UK.

Where we operate

We are focused on the key regional markets in the UK outside London, currently operating from 18 office locations strategically located where we possess strong local market knowledge and networks.



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

See page 20
See more on how our network helps us attract talent

Real Estate

37.3%	Service line	Services
	All contentious and non-contentious matters across the real estate lifecycle from town planning to asset management.	- Asset management - Business parks - Construction - Development - Mines and minerals - Planning - Plot sales - Property litigation - Retail - Telecommunications - Volume conveyancing

Sector specialisms

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

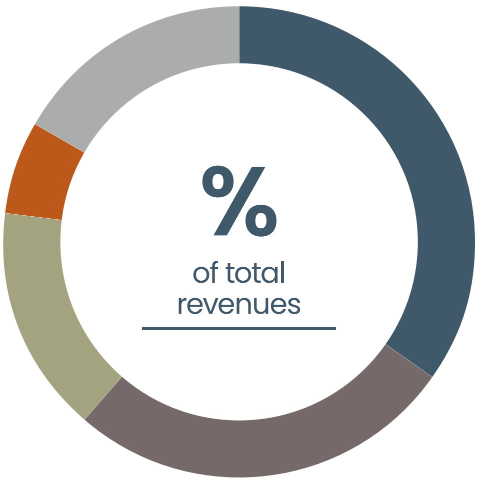
Dispute Resolution

21.3%	Service line	Services
	Resolving disputes across the full spectrum of services.	- Arbitration - Debt recovery - Litigation - Mediation - Restructuring and insolvency

Corporate

16.4%	Service line	Services
	Commercial and practical advice on all operational activities across a highly diversified client base.	- Banking - Commercial - Data protection - Immigration - Intellectual property - Mergers, acquisitions and disposals - Tax and financial services

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



Employment

5.6%	Service line	Services
	Providing strategic HR advice on a range of contentious and non-contentious issues across a variety of sectors.	- Litigation/Tribunals - Management training - Reorganisation - Strategic projects - Strategic audits/reports - TUPE - Investigations

Private Wealth

19.4%	Service line	Services
	Supporting the full range of needs for high net worth individuals and their families.	- Complex family matters - Residential property - Landed estates and rural business - Tax, trusts and wills - Wealth management

Investment Case

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

Premium quality from a competitive cost base

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

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

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

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

Fee earner to non-fee earner ratio above market average, aided by an efficient, technology-enabled operating model.

Underlying profit before tax

£18.1m

Profitable growth

Read more on pages 38-47

Professional advisors with a commercial mindset

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

Fee earners focus on client service while professional managers run the business. Professionals focus on delivering work and generating revenue with no distractions of running the business, which is executed by an experienced, agile and longstanding leadership team.

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

Working capital lockup days*

86 days

Highly cash generative

Read more on pages 38-47

A Scalable Model

We are well positioned in a fragmented market worth £3.3bn outside London providing a clear opportunity to grow organically, complemented by carefully targeted acquisitions.

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

Culture and market positioning drives organic recruitment and results in low churn.

Track record of unlocking value from acquisitions, with acquired businesses being fully integrated into our systems and processes through support from our experienced team within three months and full cultural integration within 12 months.

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

This year we have entered two new locations and scaled the business up in an existing location by acquisitions.

Fee earner: Non-fee earner ratio

3.5:1

Robust platform for growth

Read more on pages 38-47

Note
* Excluding acquisitions in the final quarter.

Chairman's Statement

Knights delivered a robust financial performance this year, with revenue of £125.6m, up circa 22% compared to the prior year.

Bal Johal
Non-Executive Chairman
11 July 2022

This growth in the year principally reflects acquisitions, with in-year acquisitions contributing circa £5.8m and the full year impact of prior year acquisitions delivering an additional £14.8m, giving total revenue growth from acquisitions of £20.6m (20%). The acquisition-led growth was complemented by our COVID affected organic growth of 2% in the period, 4% disregarding the impact of closing down volume debt recovery and conveyancing.

Throughout the year we continued to realise our vision of building the UK's leading legal and professional services business outside London. We expanded our geographic footprint, strengthening our presence in Yorkshire and entering the North East and East of England as we welcomed more high-quality businesses and people into our Group. As we entered the new financial year, we extended our presence in the South East, meaning that as Knights celebrates a decade since its corporatisation, we are now a diversified business of truly national scale, operating from offices across the UK. As we grow the business, the Board continually reviews Knights' corporate structure, operational infrastructure, and processes to ensure they will support the continued scaling up of the business.

During the year, we faced unusual challenges, including the emergence of the Omicron variant of the COVID-19 virus, leading to disruption within the business due to increased levels of employee sickness and absence during what is historically our most significant trading period in the fourth quarter of the financial year. Despite this, the Group delivered underlying profit before tax of circa £18.1m, reflecting the resilience of our business model and agility of our management team. I am proud of how our people met these challenges and have bounced back quickly, demonstrating the benefits of our strong and unique culture. I would like to express my thanks, on behalf of the whole Board, for their dedication, and tireless hard work. I would also like to thank our exceptional management team, who continue to successfully drive the business forward, despite such unpredictable headwinds.

Increasingly well positioned to execute our acquisition strategy

Our strategy is delivering tangible results. Knights' differentiated corporate structure is increasingly understood and a heightened awareness of its strong culture and reputation is helping to drive continued growth. Within a large, highly fragmented market, Knights is well-positioned to continue to seize opportunities that align with our strategy and goals.

Revenue

£125.6m

+21.7% (2021: £103.2m)

Underlying PBT

£18.1m

(2021: £18.4m)

Organic revenue growth

2%

This year, we built on our exemplary track record of deriving value from acquisitions and continued to roll out our targeted expansion, executing our strategy. This growth has increased our ability to attract high-quality acquisition targets that are a strong strategic and cultural fit for our business, bringing a significant number of talented new professionals into our Group. Our reach now spans a large proportion of the UK.

Strong recruitment momentum as we continue to scale the business

We continue to attract the highest calibre people and I am pleased to say that this year we recruited from leading law firms across the country as quality lawyers, typically with a strong client following, continue to favour our model over equity partnership. As importantly, I am delighted to say that employee churn, at 9%, remains low across all experience levels.

During the year, we have continued to attract new clients who recognise the unique combination of expertise, excellent service and value that we offer, adding to our already strong client base. We have also broadened Knights' portfolio of specialisms, adding a complementary debt advisory service offering to the Group. This is performing well, providing opportunities for cross-selling, and has attracted experienced accountants and corporate bankers from respected institutions, further demonstrating the strong positioning of the Knights brand.

Our strong culture, which is recognised across the industry, and enhanced reputation, are key draws for talented professionals. The cultural integration of our newly acquired businesses is overseen by our growing Client Services Executive team, which we expanded during the year. This team and our Operational Directors, report directly into David Beech and Kate Lewis (CEO and CFO), ensuring that this deeply experienced group continues to work together to support the growth and scaling up of the business.

The adoption of a hybrid working model has allowed our people to work flexibly and maintain a healthy work-life balance, whilst continuing to benefit from our strong team culture. We continued to invest in our systems, building on the technological improvements we implemented during the pandemic, to facilitate a more seamless flow between home and office. This, together with the depth and breadth of our resources, has further accelerated the integration of new businesses and joiners into our Group during the year.

Board and ESG

We continue to be mindful of the impact of our business on the world around us. Throughout the year we proactively managed this through improving energy efficiency by moving from older office buildings to grade A space, maximising space by consolidating into fewer, larger offices and building on the habits adopted by our professionals to digitise the way in which they work. I am pleased with our performance against targets, having surpassed those we set in 2019, successfully reducing our greenhouse gas emissions, paper consumption and office usage. We are in the process of agreeing new targets for 2022 and beyond. During the year we expanded the scope of our ESG governance to include Climate Change, adopting TCFD guidance. Following a strategic review to assess risk under various climate change scenarios, we see no material risk or opportunity for the business.

Our volunteering programme also continues, with colleagues supporting their local communities through our 4 Our Community programme. Our partnership with Mind is also yielding positive results.

In terms of gender balance at a senior level, we are making significant progress. Of our 12 Client Services Directors, 5 are female as is 60% of our Board. We are extremely proud of these figures, but recognise there is more we can do in this area. We are also proud of the diversity across the business, with 72% of all fee earning professionals being female.

In acknowledgement of the challenges Knights has faced during the period, it was agreed that no bonus would be paid, even though some of the non-financial measures had been achieved, with no increase in salary for the CEO and only an inflationary increase for the CFO for FY23.

In acknowledgement of the difficulties that may be faced by our people in light of the cost-of-living crisis, we undertook a detailed salary review, increasing salaries across the business which, along with other initiatives, has had a positive impact on employee morale at all levels.

Shortly after the period end, we announced that Richard King would step down from his role as Chief Operating Officer, and from the Knights Board, to pursue other opportunities. Richard was instrumental in establishing the strong operational infrastructure which has enabled the Group to achieve critical mass and will support the continued scaling up of the business. Richard leaves Knights with our gratitude and on behalf of the Board I offer him our best wishes for the future.

Dividend

The Group's progressive dividend policy balances the retention of profits to fund our long-term growth strategy with providing shareholders with a return, as that growth strategy delivers strong results. In line with that policy, the Board is proposing a final dividend of 2.04p. Together with the interim dividend of 1.46p per share, this gives a total dividend for the year of 3.50p. The dividend will be payable on 30 September 2022 to shareholders on the register at 2 September 2022, subject to shareholder approval at the Group's AGM.

Summary and medium-term outlook

I am encouraged by our clear strategic and operational progress during the year, which was achieved despite considerable external challenges in the final quarter.

There is good momentum in the business going into the new financial year and our outlook is positive, with a healthy pipeline of acquisition opportunities of quality firms and high-calibre recruits, all with a strong cultural fit, and which will provide entry into new markets or additional capabilities or scale in our existing office locations.

We have a significant market opportunity, with the right strategy and team in place to deliver on it and we look forward to continuing to make strong progress in achieving our goals.

Note
For all financial information see Financial Review on pages 38-47 and definitions in glossary on pages 126-127.

Chief Executive's Review

2022 marks ten years since Knights was corporatised. As I reflect on our remarkable journey over the past decade, I am exceptionally proud of what we have achieved.

David Beech

Chief Executive Officer
11 July 2022

Over ten years, Knights has grown from a firm with two offices and revenues of £9m to an industry-leading legal and professional services group, now ranked among the UK's Top 50 law firms with 18 offices delivering over £125m in revenues as at 30 April 2022 and now 22 offices following our most recent acquisition in the South East. We are a well-balanced business, increasingly recognised for our strong culture. We have forged a solid reputation as a premium service provider across the UK, with a diversified, full service legal offering complemented by specialist planning, tax and debt advisory services, among others.

In recent years, our steady pace of selected acquisitions across the UK has enabled us to achieve critical mass. Knights now has the credibility, market positioning and scale to attract the highest calibre talent. We are recruiting from Top 40 law firms and well-reputed professional services firms, and crucially, are attracting and retaining key professionals who favour our forward-thinking corporate model over partnership and see how Knights are well positioned to support them and their strong client following.

Today, in line with the vision set out in 2012, our Group is consistently sought out by clients seeking high-quality legal expertise, deep sector knowledge, a broad range of specialisms and bespoke advice.

Robust performance despite short term challenges

During the year, we delivered pre tax profitable, cash generative growth albeit this was held back by short term challenges in the last quarter, a period which has typically seen strong revenues convert to a significant contribution to annual profits. This year, the emergence of the Omicron variant of the COVID-19 virus and the resulting employee sickness levels, alongside some softening of business confidence as a result of macroeconomic pressures, slowed growth to a greater extent than anticipated during this important trading period.

Revenue increase

21.7%

(2021: 39.0%)

Acquisitions in FY22

£5.8m

Contribution to revenue

Underlying PBT* margin

14.4%

(2021: 17.8%)

As we have started a new financial year we have been pleased to see a growing appetite to work together in our offices with less disruption to our team business model and culture.

Our appetite for commercially and strategically sound acquisitions with a clear cultural fit remains strong, and our acquisition strategy gained further momentum during the year. We successfully integrated prior acquisitions and acquired two additional well-established and respected independent law firms. In doing so, we expanded our geographical reach and added over 100 professional colleagues to the Group.

As a result of our increased credibility and the heightened awareness of Knights, we saw several significant additions to our client base during the year, including the Teesside Regional Development Corporation, Warner Media, Barratt Homes, Aesop and Durham Cathedral. We also saw our income from our Top 50 clients by revenue increase by 33% to £20.5m. Our ability to service clients of this calibre across an increased number of service lines reflects the strength of Knights' positioning in key regions for legal and professional services, driving organic growth across the business.

Despite this considerable growth, we maintained our industry-leading levels of lock-up days at 86 days, reflecting our strong culture and discipline of day-to-day cash collection across the Group. We continued to be cash generative, and our strong cash position and credit facilities mean we remain well-positioned to continue to execute our ambitious growth plans.

Continuing to put people and culture first

Knights is a people-centric business. We fully understand that our success depends on the quality of talent across the Group and our ability to attract and retain the best people. To support this, we strengthened our operational infrastructure during the year, and bolstered our team of Client Services Directors (CSDs), increasing this group to 12.

Our CSDs not only oversee day-to-day management of the Group's offices, but also lead on the integration of new professionals and acquired businesses, ensuring Knights' 'one team' ethos and commercially driven approach is deeply embedded across the business.

We continued to actively minimise churn, which remained at low levels across the Group at 9%. I am particularly pleased that we also maintained low levels of attrition at a senior level. While attrition among our most experienced partners has always been low, we are maintaining low churn comparative to large City firms due to the market leading positions we tend to occupy in regional towns and cities. This is testament to both our business model and our approach to integration, and also reflects our 'one team' collaborative culture, something we believe is a strong differentiator, of which we are immensely proud. We saw a powerful example of building on the Group's culture at our recent full company event in June which focussed on listening to and communicating with our incredible talent and continuing to evolve how we look after employee health and wellbeing and support them in building their careers.

We undertook a salary review across the business which took effect on 1 May 2022. This followed a comprehensive body of work to ensure our pricing reflects the levels of service and the value that we deliver to clients. This enabled us to deliver positive uplifts to our colleagues across the Group. We are confident that the salaries we offer at all levels are competitive and generally higher than independent regional firms. We have also made 109 promotions during the year, testament to how we continue to nurture and develop our talent.

We expect that all of the increased cost from salary increases will be offset by the price increases which we implemented at the commencement of FY23.

Client satisfaction

+72

Net Promoter Score

Chief Executive's Review continued

Throughout the pandemic and beyond, we have seen a migration of talented lawyers and other professionals away from London. We believe this represents a structural change, and one which has provided us with a recruitment pipeline of increasingly high-quality in other areas of the UK.

As a result of our ongoing investment in cutting-edge IT infrastructure, our hybrid working model and our expanded presence across the UK, we have been able to take advantage of and better leverage this reshaped talent map. While we continue to embrace new ways of working, it is also pleasing to see more colleagues transitioning back to offices, allowing the full benefits of our strong team-based culture to be realised.

Acquisition strategy gaining momentum

In line with the Group's strategy to accelerate organic growth through carefully targeted regional acquisitions, we acquired two high-quality law firms during the year, extending the Group's presence into the North East and taking us into a new regional market in the East of England. The acquisition after our year end of Coffin Mew further expanded the Group's presence in the South East.

Strengthening the Group's presence in Yorkshire

In addition to the two acquisitions announced in the financial year, we also completed the acquisition of Keebles LLP in June 2021 (exchanged at the end of FY21), a firm established in Sheffield over a century ago with a strong corporate and real estate offering. This was a significant acquisition for the Group, complementing Knights' existing presence in Nottingham and Leeds with a leading position in South Yorkshire. This business is now fully integrated into our business, making a positive contribution to revenue and profit.

New presence in one of the UK's largest legal and professional services markets in the North East

In November 2021, the Group welcomed Archers Law LLP, a leading independent firm based in Teesside in the North East. This region, which is currently receiving significant public and private investment, represents one of the UK's largest markets for legal and professional services outside London. This acquisition has provided us with a platform for future organic growth in the region. It has integrated well, with the business performing in line with our expectations, underscoring the strong cultural fit and well-aligned service offering we had identified.

Strategic advance into the East of England

In March 2022, we successfully completed the acquisition of Langleys, a leading independent law firm. This established Knights as the leading law firm in York while also providing a new presence for us in Lincoln. This strategic acquisition expands the Group's operations in the East of England, an attractive growth market for our services. The integration of this business so far has been very successful. Of the two elements of the business identified at acquisition as not fully aligning to the Group strategy we have transferred the Child Law business, amounting to circa £1m of the acquired revenues, for asset value. The HPL part of the business, a separate subsidiary focused on high volume conveyancing is held for resale. As planned, we have exchanged contracts on 5 July 2022 to sell the HPL subsidiary focused on high volume conveyancing and non core to our strategy.

Momentum maintained in the current financial year

Post period end, in July 2022, we completed the acquisition of Coffin Mew, a leading independent law firm, which will provide us with entry into new markets, including Portsmouth, Southampton, Brighton and Newbury. The acquisition brings circa 100 new professionals to Knights, significantly expanding the Group's presence in the South of England.

Current trading and outlook

Since the year end, we have been encouraged by the Group's positive trading momentum, as we continue to realise the benefits of prior acquisitions. We have continued to strengthen the business through diversification and are confident of our resilience for the year ahead.

We see significant opportunities for further high-quality acquisitions, as seen with the acquisition of Coffin Mew since the beginning of the new financial year. We are strongly placed for further organic growth, as we increasingly attract high-calibre professionals with client followings and as we further extend our complementary services which align within our current offerings.

While we acknowledge that uncertainty around economic conditions persists, we strongly believe that Knights remains well-positioned to meet any associated challenges with more resilience than ever. We remain confident in our ability to continue to execute our growth plans, further enhancing the Group's already strong position in key legal services markets outside London.

Market Opportunity

By embracing change, the UK legal services market has continued to demonstrate resilience in a challenging operating environment.

An evolving market presents opportunity

Over the past 12 months, the legal services market has demonstrated resilience in a challenging operating environment. However, some have fared better than others as the sector has had to respond to changing working habits, market demand fluctuations, and the need to source the investment required to continue operating in a changing environment.

The UK legal services market remains deeply polarised with major law firms, operating predominantly from London and internationally, at one end of the spectrum and high street or medium-sized independent law firms at the other. The majority of these operate under a traditional partnership model which restricts their ability to be nimble and adapt quickly to the changing environment.

The sector will continue to change over the coming years – compounding this polarisation and providing new opportunities to agile responders. Because Knights is free of the constraints of the partnership model, we are able to thrive in times of change, responding to challenges with rapid decision-making and taking advantage of opportunities to invest and grow at speed.

This agility underpins our long-term growth ambitions and increasingly enables us to attract key strategic hires to Knights from Top 40 law firms across the country. In our addressable market, there are circa 200 firms operating outside London with typical annual revenues of £2m-£60m.

Increasing demand

The annual turnover of the UK legal services market is expected to grow substantially over the next five years. This growth will be driven by businesses seeking legal advice as they navigate economic uncertainty, client demand for greater speed and responsiveness, and adapt to emerging technologies.

Greater technological innovation and availability of external investment will likely spark an increase in new types of legal services providers across the sector, posing a challenge, both financially and in terms of attracting talent, to law firms with a traditional partnership model.

In contrast, our model means we see the evolution of the legal services market as an opportunity to create a competitive advantage through more acquisition opportunities, faster recruitment of new colleagues, investment in new delivery platforms and the development of more service lines.

In line with our strategic acquisition strategy we have acquired two high-quality independent law firms during the last 12 months. Their successful integration has accelerated Knights' ongoing penetration of the regional market outside London.

With an estimated value of circa £3.3bn, our addressable market outside London presents significant further opportunities for growth.

Embracing change

Knights' business structure allows us to respond to changing economic and conditions with agility, rapidly seizing the right opportunities to evolve the business and grow our market share.

Challenging operating conditions in recent years have put pressure on a number of UK legal businesses, not least by accelerating changes in working practices. Investment in technology, innovative ways of working and adapting workspaces to optimise service delivery will be critical to talent retention and business success going forward.

At Knights we have embraced hybrid working, facilitating greater ability to work remotely, but also investing in our workspaces across the UK. Our colleagues are spending more and more time working in our offices and we are seeing a large number of our people regularly working across different locations.

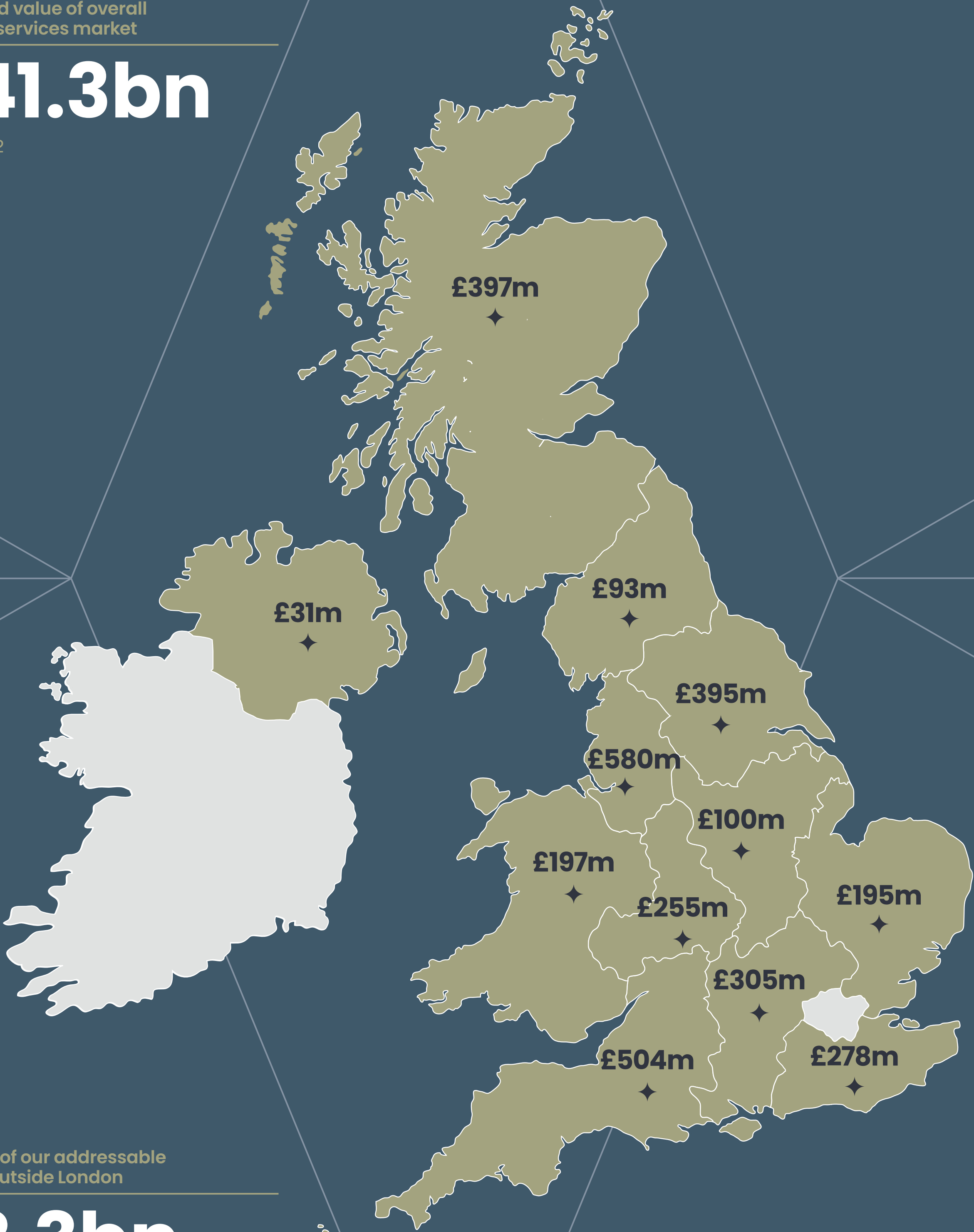
This enhances, and is also a direct result of, our 'one team' culture with colleagues naturally coming together from our various office locations and collaborating on the delivery of services, training and the growth of our business.

A growing market with significant scale

Estimated value of overall UK legal services market

£41.3bn

2021/2022



Revenue of our addressable market outside London

£3.3bn

2021/2022

Growth rate of our addressable market outside London

6–7%

Per year

Source:
* Bureau van Dijk, Mintel UK Legal Services Report 2021, The Lawyer UK Top 200 and Top 100 2021.

Data includes Scotland and Northern Ireland.

Business Model

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

1 Grow Organically

2 Strategic Acquisitions

3 Scale the Operation

4 Exploit Data and Technology

Inputs

Clients

Seeking a premium service for optimum value

Professional Advisors

Seeking opportunities for career development in a supportive environment

Law Firms

Seeking to grow their business within a sustainable platform

Key Strengths

Cultural

An empowering culture
- Unleashing talent through our collaborative, friendly, target-free environment.
- 'One team' culture, with the ability to optimise the use of resources to create the best team or solution for the client.
- Entrepreneurial, can-do mindset, where professionals have freedom and autonomy within a supportive business framework.

Trusted advisors to clients
- Commercial, results-orientated mindset, underpinned by expertise and local and sector knowledge.
- High-quality service delivery with accessibility and responsiveness at its core.
- Long-term partner to clients seeking a premium service and respecting those that deliver it.

Principles

One team

Premium services

Commercial

Responsive

Creating Value

Outputs

Operational

- **Corporate structure**
  - Separate and strong leadership team, with broad experience within and beyond the legal sector.
  - Dedicated to running the business enabling professionals to focus solely on what they do best, servicing clients.
  - Deeply embedded commercial and entrepreneurial approach operating with speed and agility.
- **Efficient and scalable platform**
  - Single technology platform drives efficiency, speed of service, and facilitates effortless business-wide collaboration.
  - Work quickly to direct the right expert or the appropriate level of experience, maximising value for clients.
  - Teams rapidly assembled from across the whole of the business to deliver on short lead times, complex matters or high-volume client needs.

Financial

- **Cash and capital**
  - Highly cash generative, supporting investment in people, technology, infrastructure and expansion.
  - Strong balance sheet, supported by industry-leading working capital management.
  - Supported by the UK's highest quality growth funds.
- **Acquisition track record**
  - Identifying the right businesses, with a strong cultural and strategic fit.
  - Integration is highly developed and 'business as usual', led by an experienced and dedicated team.
  - Unlocking value quickly and creating new value sustainably.

Delivering value for clients

- We are driven by meeting the objectives and needs of our clients using our commercial mindset, strong market insight and high levels of expertise to deliver the best solutions and advice to them.
- We are trusted advisors because we not only understand our clients, but ensure we are accessible and deliver the advice they need quickly.
- We structure our resources to deliver the best solution, underpinned by a high-quality service, enabled by our 'one team' approach and low overheads.

Accelerating career ambitions

- We have developed an environment that attracts energetic, commercially minded and innovative professionals.
- Our fast-growing business, collegiate and supportive culture and ambition to change how professional services are delivered provides exceptional opportunities for our people to thrive.
- Our professional colleagues can focus on what they do best, delivering a highly responsive premium service to clients, without the pressures and distractions of running the business.

Unlocking value from acquisitions

- We make strategic acquisitions, selecting only businesses that have a strong cultural fit, with people who share our approach to the delivery of professional services.
- Through integration we quickly unlock value from synergies by implementing Knights' business principles and utilising its greater resources.
- We accelerate growth by bringing scale, superior operational infrastructure and new expertise to acquired teams, enabling them to better serve their existing clients, win new ones, and expand their reach.

Clients

+72
NPS

34
No. of FTSE 250 clients

+7%
Increase of existing clients using more than one service

Employees

91%
Retention*

15%
Joined from top 50 law firms

+24
ENPS

Shareholders

17.23p
Underlying earnings per share

24.4%
3 year underlying profit CAGR

Communities

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

80%
Less paper used vs peer group

9.9%
Energy reduction (buildings, data centres and lighting)

Note
* See Glossary on pages 126-127.

Accessible | Pioneer | Agile | Ambitious

Our Strategy

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

We are delivering on this strategy by driving organic growth, entering new markets through strategic acquisitions, expanding our geographical reach and laying the foundations for further organic growth while continuously strengthening our operational infrastructure.

Strategic pillars

Grow Organically	Strategic Acquisitions	Scale the Operation	Exploit Technology and Data
What we did this year			
2% Organic growth in FY22	**2** New markets	**3.5:1** Fee earner/non-fee earner ratio	**33%** Increase in revenue from top 50 clients
53 Partner and Senior Associate promotions	**232** New fee earners through acquisition	**4** Additional Client Service Directors	**2** Acquisitions integrated in parallel
15% Joined from top 50 law firms	**100%** On track to deliver target cost synergies	**2** New office investments	**6,000+** a contacts added via system improvements

Our priorities

Grow Organically

- Expand the number of complementary professional services we provide to existing clients.
- Develop and promote existing talent.
- Attract more high-quality fee earners with a client following from top 50 law firms.
- Continue to build on our existing sector-specific expertise.

Read more on page 20

Strategic Acquisitions

- 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 Knights' model.

Read more on page 21

Scale the Operation

- Continue to create economies of scale through expansion of the Knights operating platforms and continuous business improvement initiatives.
- 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.

Read more on page 22

Exploit Technology and Data

- Enhance our existing delivery platforms through system development and bolt-on technology platforms.
- Increase the 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.

Read more on page 23

Strategic Progress

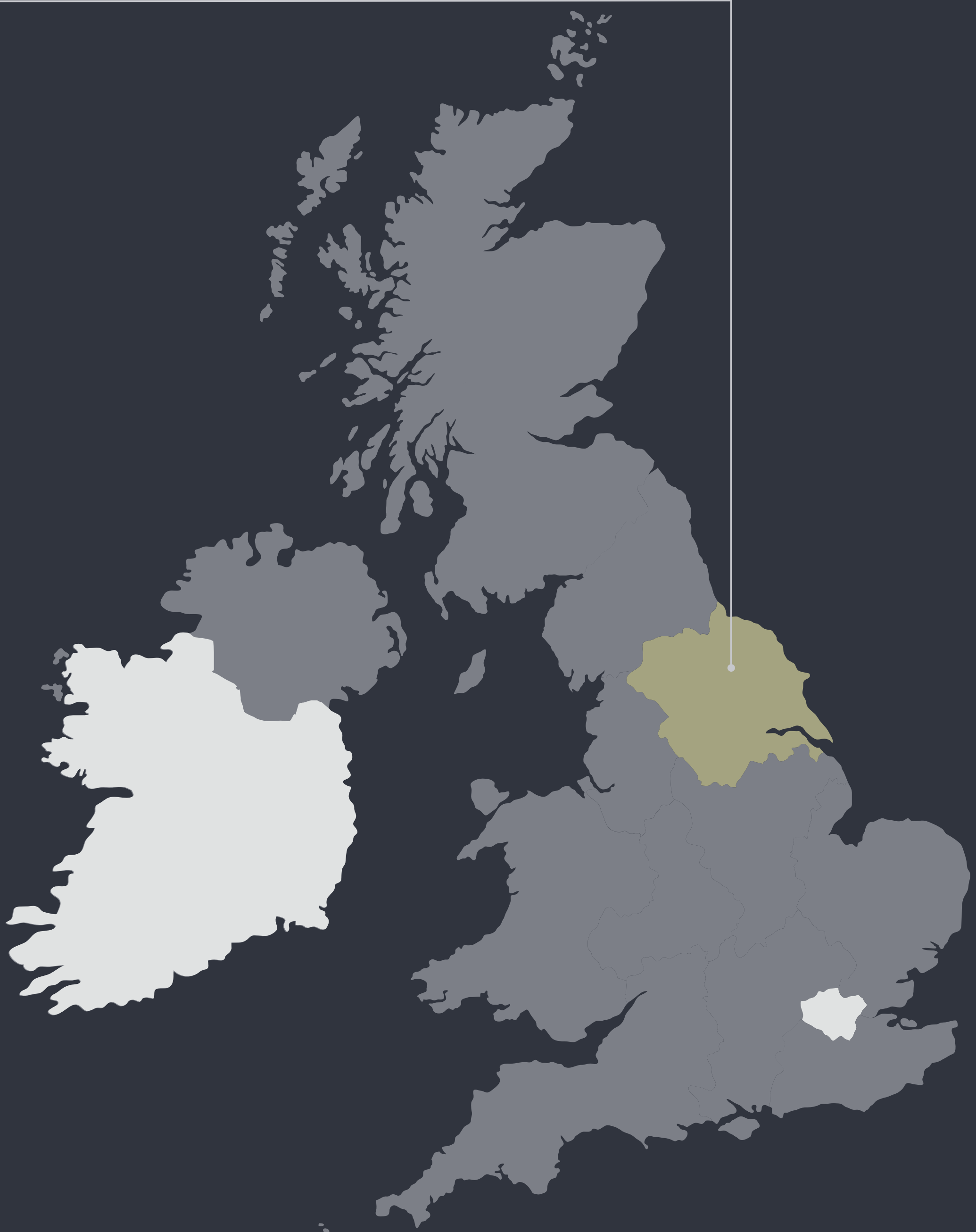
Knights entered the North East and the East of England and strengthened its presence in the Yorkshire region during the year, unlocking new reach and opportunities.

In November 2021, we further expanded our geographical footprint entering the North East with the acquisition of Archers Law LLP, a leading independent law firm based in Teesside.

The region is one of the largest legal and professional services markets in the UK outside London and is currently receiving significant public and private investment. This acquisition creates a platform for future organic growth in the North East.

We completed the acquisition of Langleys Solicitors LLP, a leading independent law firm in York and Lincoln, in March 2022. This has established Knights as the leading legal services provider in York and has consolidated our wider presence in Yorkshire having entered that market in 2020. This acquisition has also created a presence for us in Lincoln, expanding Knight's operations in the East of England which is an attractive market for our services and complementing our existing established presence in Nottingham and Sheffield. Langleys was particularly strong in delivering premium Private Wealth services, an area where there is significant growth potential.

Following the beginning of the new financial year, we extended our presence in the South East with the acquisition of Coffin Mew taking us into Portsmouth, Southampton, Brighton and Newbury meaning that we are currently operating from 22 offices across the UK.



Strengthening our core services

Real Estate

- Continued expansion of a strong team, with new presence established in the North East and Yorkshire.
- Delivered significant additional services to a number of our largest existing clients including Long Harbour, Hanson, McDonald's and Jelson driven by strong and trusted client and colleague relationships.
- Added City Plumbing Supplies and Aesop to our already impressive client portfolio of retail clients which includes Dunelm, Poundstretcher, Specsavers and The Body Shop.

Dispute Resolution

- Attracted a number of Partners to our 200+ strong team to enhance our offering in pensions litigation, regulatory challenges, procurement disputes, competition law and telecoms work.
- Conducting multi-million, cross-border litigation for a number of international clients. Representing the UK arm of Canon Inc in a complex, £290m+ counterclaim proceeding to trial in early 2023.
- Provided property litigation services to a number of notable FTSE 100 retail clients.
- Developed leading practice groups in the fields of aviation, contentious probate, intellectual property and reputation management.

Corporate

- A strong national team of over 100 professionals which includes lawyers, accountants, tax specialists and banking professionals.
- Strengthened service offering to become the UK's first legal services business to establish a specialist debt advisory offering, combining the expertise of lawyers and accountants.
- Supported C1 Capital on its £150m joint venture with Frogmore Real Estate.

Employment

- Expanded the team to over 60 fee earners, with new colleagues joining us in the North East and the East of England as part of recent acquisitions.
- Advised on a number of high-profile investigations for a leading global media company.
- Developed new relationships with Five Guys and Marshalls Plc to strengthen our reputation in the hospitality and retail sectors.

Private Wealth

- A specialist team that continues to deliver premium landed estates, private client, family and residential property services to high net worth individuals and their families.
- Significant growth in the volume and quality of our residential property work driven by strong relationships with leading premium property agents.
- Further growth of our team to over 230 professionals.

Strategy in Action

Grow Organically

Organic growth delivered despite a challenging operating environment.

Despite the challenging year, we still delivered growth in the period as the underlying drivers of organic growth remained healthy. We continued to attract new clients, deliver more services to clients across existing new service lines, attract highly talented professionals, grow our talent and support the development of our people.

We delivered on our organic growth strategy this year by:

Leveraging our scale and national reputation

Our increased size and reputation have cemented our credibility as a premium service provider across the UK allowing us to attract the best talent and high-quality clients.

We continue to recruit from top 50 law firms and highly regarded professional services firms and retain our key fee earners who prefer our corporate model over partnership. The quality of our people and Knights' premium full-service client offering has allowed us to build on our already strong relationships with existing clients and attract high-calibre talent, and their strong client following.

Heightened awareness of Knights has also attracted significant new clients seeking high-quality legal expertise and exceptional levels of responsiveness and overall service. Our ever-increasing strength in depth and breadth of our capability means we are ideally placed to be the provider of choice for the type of clients we work with across local, regional and national markets.

Working in a business of Knights' scale, that puts its people first and enables you to focus on your clients, was a really attractive proposition.

After many years of working in a top 25 law firm I was looking for an alternative to the traditional partnership model where I can be part of a national team with a collaborative culture, working with colleagues to deliver a premium client service."

Rebecca Moore
Partner

Broadening our service offering to longstanding clients

Our 'one team' culture combined with our strength and the depth and the breadth of our capability, means we are well positioned to drive organic growth by delivering against a greater share of our clients' needs. During the financial year, we saw a circa 7% increase in the number of existing clients using more than one of our services. This growth is driven by both the confidence our clients have in the Knights brand, as well as strong trust between colleagues to facilitate introductions.

Our longstanding relationship with Knights has supported our business' growth over many years.

We work closely with them and can always trust their support is delivered with our commercial objectives at the fore. We now work with an expanded national team across real estate, corporate and construction advice."

Jack Spearman
Director, Long Harbour

Expanding our professional advisory services

Our combination of lawyers working alongside other professional advisors provides clients with complementary service offerings. This year, we have added talented accountants and corporate bankers from respected institutions to the business becoming the first UK legal services business to establish a specialist debt advisory offering. The new offering is in addition to our town planning offer and 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.

With over 30 years' experience of working at the leading banking institutions I was delighted to join Knights to further broaden the service offering for corporate clients.

Knights' integration of a Town Planning team in 2014 and recent addition of Tax Advisory services proved that combining lawyers with other professional services in a business with a strong collaborative culture can successfully provide clients with a unique, complementary service offering."

Tony Dean
Partner

Strategic Acquisitions

Over the past decade, strategic acquisitions have enabled us to achieve critical mass. Our increased scale and expanded geographical presence have delivered a step change in the Group's credibility, expanding our pool of high-quality acquisition targets.

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 that 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.

We acquired two leading regional law firms during the year.

Strengthening our presence in a key region

Knights entered Yorkshire's legal market in 2020 and has grown its presence significantly since through a combination of organic growth and acquisitions.

In addition to the two acquisitions exchanged and completed during the financial year, in June 2021 we acquired Keebles (contracts exchanged in April 2021), a full-service independent law firm with a strong corporate and real estate offering. The firm had a leading position in South Yorkshire and provided entry into Sheffield, complementing the Group's existing presence in Nottingham and Leeds.

The culture at Knights was closely aligned to our business, making it the natural home as we entered the next stage of our growth journey.

Having grown to become a leading law firm in South Yorkshire, we were delighted to join Knights as it continues its ambitious expansion plans and look forward to thriving as part of a larger group."

Paul Trudgill
Partner, Sheffield

Entering a new key region

Knights entered the North East in November 2021, further expanding our geographical footprint with the acquisition of Archers Law LLP, a leading independent law firm based in Teesside. The region is one of the largest legal and professional services markets in the UK outside London and is currently receiving significant public sector and private investment. This acquisition complements our existing strong presence built up across Yorkshire in recent years and provides a platform for future organic growth in the North East.

After over a century of growth to become one of the leading law firms in Teesside, we were delighted to join Knights, whose culture is closely aligned to ours.

We look forward to executing on the significant growth opportunities in the North East as part of a larger group, which will allow us to offer greater resources and capabilities to our clients in the region and beyond."

Chris Todd
Partner, Teesside

Strategic advance in attractive growth region

We completed the acquisition of Langleys, a leading independent law firm in York and Lincoln in March 2022. This has established Knights as the leading law firm in York and provided a new presence in Lincoln, expanding Knights' operations in the East of England which is an attractive region for our services. Langleys was particularly strong in Private Wealth, an area where there is significant growth potential.

Having built a strong reputation over a number of years, it was the right time to join Knights, whose growth journey we have followed in York and elsewhere across the regions.

We believe Knights' scale, ambition and ability to invest will enable us to unlock significant growth potential and we look forward to achieving this as part of a larger group."

Tim Cross
Partner, York

Strategy in Action continued

Scale the Operation

We have continued to strengthen the operational infrastructure to support our ambitious growth plans.

Investment in our operational platform ensures the sustainability of our success across future growth periods creating greater operational capacity across our leadership team.

The key ways in which we delivered on our Scale the Operation strategy this year were:

Platform for sustainable growth

The strength of the operational backbone we now have in place means that we are able to operate with both excellence and efficiency whilst continuing to grow the number of clients and professionals that we support.

Operational leadership

We increased the number of our Client Service Directors ('CSDs') from 8 to 12 during the year, enhancing our commercially driven approach across the regions where we have offices. Our CSDs are responsible for the day-to-day management of our offices and also the integration of acquired businesses and new talent.

A team of 10 Operational Directors lead more than 250 colleagues across our operations team which is responsible for ensuring that the Group has the capacity to support both current business and also future opportunities as they arise. 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 has the capability to harvest future opportunities as they arise.

The strength of our operational backbone supports the delivery of a premium service to our growing client base, as evidenced by our fee earner to non-fee earner ratio, which reduced to 3.5:1 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.

We have continued to invest in our spaces throughout the year, agreeing attractive lease arrangements in York and Maidstone and modernising our working environments in Crawley, Weybridge and Maidstone. This investment in our offices continues to deliver benefits to the business including accelerating the integration of acquired businesses and new colleagues and the enhancement of our team. Creating optimal offices offers an attractive mix of agile working spaces as well as high-quality social space.

Like many businesses we continue to develop our long-term hybrid working model and believe, with the creation of extra capacity across all our office locations, this offers opportunities to develop a model for future work which will promote future talent acquisition and retention.

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 a client experience based on speed and quality of service that differentiates us from the competition.

In parallel, we continue to focus heavily on increasing efficiency and reliability by automating a number of routine tasks, and using technology and data analytics to grow revenue.

Our focus remains on three areas:

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 layers of work.

Examples include:

- Applying our robotics technology from volume services in Employment and our Commercial Real Estate practice, delivering quality advice to clients in hours, rather than days.
- Enhancements to our bespoke service to Private Wealth clients, adding client apps which save time and reduce complexities when making residential property transactions.
- Codifying common activities into repeatable processes across commodity lines thereby automating the work resulting in greater accuracy, reduced costs, increased speed to serve and gross margin enhancement.
- Increasing the adoption of pricing best practice, positively impacting revenue and cash flow by integrating this into our systems and processes for client engagement, saving our professionals time and creating consistency.

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

Service enhancement

We continue to expand the breadth of impact of using technology to enhance our services for clients in terms of speed to serve and quality of experience, in a way that is also margin enhancing by eliminating work.

Examples include reapplying our robotics technology from volume services in Employment into our Commercial Real Estate practice, delivering quality advice to clients in hours rather than days, whilst improving profitability.

We are saving Private Wealth clients valuable time and reducing complexities when transacting residential property, by supplementing our bespoke service with an app that reduces their administration burden and keeps them up to date on progress and clear on next steps. Client satisfaction remains positive with an NPS of +72.

Using data to drive organic growth

We have focused on strengthening our understanding of our clients and utilising data to identify trends, recognise opportunities and deepen our client relationships. We analysed the number of services being delivered to our clients and identified the key areas for cross-selling synergistic services.

By utilising our client data with Client Service Directors, Business Development colleagues and our key Partners we have grown the number of services being delivered to many clients, and a significant increase in revenue of 38% has been realised within our top 50 clients.

We have given significant focus to cleansing and improving our data quality, ensuring that we are quickly and efficiently managing closure of completed and dormant files. To support this, we have developed an automatic bulk archiving procedure which is run periodically on a quarterly basis. The first of these exercises saw over 30,000 files archived, and a further 15,000 on average each quarter, maintaining our data set to focus on active and live files where possible.

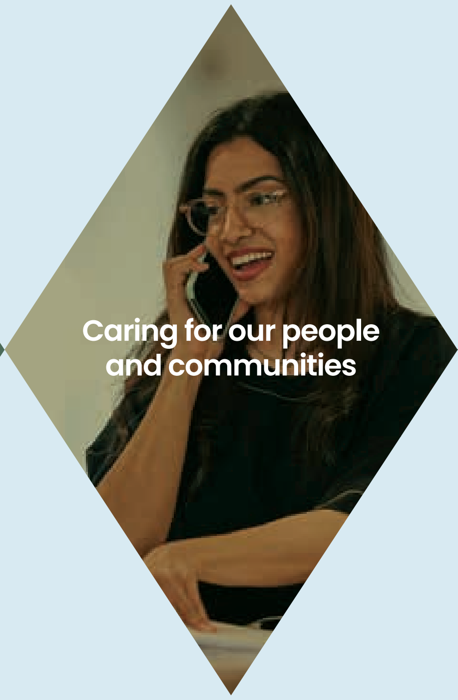
In addition, we have enhanced our client relationship management to focus on adding client contacts, improving cash collection by ensuring our automatic billing process delivers invoices to the correct client contact. We have added over 6,000 contacts to our client data set during this process, and improved our client onboarding to collect this data at the start of each relationship.

Corporate Sustainability

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 communities, 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 vision of transforming legal services.

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 and Knights is proud of the continued progress it has made across Environmental, Social and Governance reporting, having initiated a strategic programme in 2020 to underscore its commitment to make a positive impact.



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

Managing our business for the long-term

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

Read more on page 27

Caring for people and our communities

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

Read more on pages 28 - 31

Looking after the environment

Focusing on cutting our paper and energy consumption.

Read more on pages 32 - 33

Our commitment to reducing the Group's carbon footprint continued this year as we invested in technology and more energy-efficient, premium office space.

We have made progress delivering our ESG initiatives. There is so much to be proud of, especially how our colleagues have responded to the easing of COVID restrictions and embraced true hybrid working while maintaining our high governance standards."

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

Key performance indicators

Knights' strategic ESG programme includes a framework of KPIs and goals which are continuously kept under review. These help us deliver for our people and our communities and are a vital part, not only of our ongoing efforts to modernise our business, but also how we integrate acquisitions.

- Employee NPS +24:
  Listening to our colleagues is fundamental to our collaborative culture, which allows us to continually evolve how we look after the health and wellbeing of our employees and support them in their careers.
- Gender diversity: 66% of employees are female, including good diversity at leadership levels. This reflects a strong meritocracy and a diverse and inclusive culture.
- Accelerated adoption of new technologies to encourage paper-light working and increased video conferencing to reduce unnecessary travel mitigating environmental impact.

Managing our business for the long-term

Board Composition

- Non-legal background 80% (4 out of 5) (2021: 83%)
- Independent Directors 60% (3 out of 5) (2021: 50%)
- Gender diversity 60% (3 out of 5) (2021: 50%)
- Ethnic diversity 20% (1 out of 5) (2021: 17%)

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: 85% of staff fully trained

Caring for our people and communities

Sentiment

- Employee NPS +24 (2021: +39%)
- Staff churn 9% (2021: 5%)
- Client NPS +72 (2021: +75)

Flexibility & Diversity

- Female Partners 41% (2021: 39%)
- Female Directors 30% (2021: 30%)
- Female promotions 59% (2021: 58%)
- Part-time colleagues 15% (2021: 20%)
- Part-time Partners 23% (2021: 15%)

People Investment

- 35 Trainee solicitors
- 3 Apprentices
- 3,747 hours of employee training
- 4 hours per month available for employees to assist in their community
- 57.4% of employees are currently included in the various Company share schemes

Foundations

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

Looking after the environment

Consumption

- Energy reduction 9% like-for-like reduction
- Paper usage 80% lower than industry standard

Waste

- Hazardous waste 0kg
- Recycled/energy recovery 100%

Corporate Sustainability continued

Knights runs its operations 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.

Managing our business

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 34 - 35 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 across various disciplines and a wide range of industries.

Board members

5

Independence

60%

Non-legal background

80%

Gender diversity

60%

for the long-term

Business ethics and compliance

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

The Group is governed by the Solicitors' Regulation Authority, the Financial Conduct Authority and its own rigorous 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, with over 3,747 hours of refresher training delivered in FY22.

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

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

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

Caring for People and Our Communities

Today, Knights has the reputation, market positioning and size to recruit the highest calibre talent who are attracted by our culture of mutual respect, supportiveness and empowerment.

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.

"Our inclusive, people-first culture is a clear point of difference and something the Group is incredibly proud of."

Our inclusive culture

We recognise the importance of helping our colleagues, clients and the communities we operate in thrive. 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.

We're proud of this approach and believe it makes us a stronger and happier business.

We'll be doing more to empower our colleagues and build on the Group's employee net promoter score of +24. Our colleagues are key to providing great client service, as proved by our strong client net promoter score of +72.

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.

Employee NPS

+24

Client NPS

+72

Female Partners

41%

Part-time colleagues

15%

Retention

91%

Helping people thrive

Working life at Knights centres on creating a supportive environment which puts our professionals 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. Health and wellbeing was the key focus of our recent whole company event in June where, in open and honest question and answer sessions, we listened to our incredible people so we can develop further how we look after their health and wellbeing and support them in developing their careers.

We 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.

Learning and personal development
Investing in the growth of our people is important to the business. Excluding our 35 Trainee Solicitors and three Apprentices who are enrolled in formal training programmes, our colleagues have received circa 3,747 hours of 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 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 109 promotions during the year, reflecting how we continue to nurture and develop our talent and recognise high performance.

Flexibility
The adoption of a hybrid working model has provided a good balance for our people, giving flexibility and choice regarding their working arrangements whilst continuing to benefit from our team-based culture. We have continued to invest in technology, building on the technological improvements we implemented during the pandemic to facilitate a more seamless connection between home and office. Knights supports and promotes a balance between work and personal life to meet individual needs. 15% of colleagues work part-time, including 23% 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 that offers a modern working environment and capacity for future growth.

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. It encourages colleagues to use four working hours per month to give back to their local communities.

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

Each month, Knights' colleagues do amazing things in their communities. Giving our colleagues time to volunteer, fundraise and support the causes they care about is rewarding for them - and beneficial to the communities we are part of.

4OC is our community volunteering framework. It gives Knights' colleagues four working hours a month to support a cause that is important to them - supporting charities and community projects that need it. In the last year, Knights colleagues have delivered 1,220 hours of support to more than 150 causes across the UK.

4OurCommunity

GROW Mentoring

I use 4 Our Community time to mentor three aspiring lawyers. GROW is a charity that was set up to help make the legal profession more diverse and inclusive.

"Working with them is so rewarding and really means something to me – I've also gained so much from it myself.

"It's great that Knights encourages colleagues to give up four hours a month for causes like GROW. There are so many deserving organisations out there."

Emma Scott
Private Client Solicitor, Chester

Oxford Mutual Aid Foodbank

One of the nice things about 4 Our Community and flexible working is being able to support Oxford Mutual Aid at a time that works for them. They are really grateful for the support.

"I volunteer just after lunch every Monday, packing food parcels or doing whatever else they need me to do. Helping others is a really good way to help yourself too.

"The cost of living crisis is so stark – even in a city like Oxford that's often deemed to be wealthy – so it's great that Knights provides the time to support organisations like Oxford Mutual Aid."

Tom Lloyd-Jones
Paralegal, Dispute Resolution, Oxford

Pankhurst Trust

I support the Pankhurst Trust's domestic violence drop-in centre every Wednesday lunchtime – the centre gives people refuge and a chance to get away from the situation they're in.

"Whether it's helping provide formal support, or just offering a friendly smile over a cup of tea and a meal, it's so, so rewarding.

"It's so important for everyone's mental health to get out and help someone else. 4 Our Community is a brilliant incentive to do just that."

Harriet Miles
Senior Associate, Housing, Manchester

Looking After the Environment

Knights is deeply committed to minimising the environmental footprint of the Group's operations and we are making positive changes across the business to deliver on that ambition.

Compared to other sectors, the Group's environmental impact is relatively low, but we recognise that every business must play a part in reducing emissions and tackling climate change.

Paper reduction

Traditionally, law firms are heavy paper users. In 2019, we set a three-year target to reduce usage to 33% below the industry average.

Last year we reduced usage by 87% vs the industry average, driven by our investments in technology and supported by the COVID-19 lockdowns.

We are proud that we have been able to maintain low paper usage as colleagues have returned to our offices this year, with usage in FY22 80% lower than the industry average.

Paper consumption reduction vs industry average

80%

Target: 33% by 2022

Office space

Knights' 'one team' culture and ability to provide a premium service to clients is reliant on building relationships with colleagues and clients. Therefore, the way in which we use our office space is important, and it represents our biggest use of energy and carbon emissions.

The Group has a two-fold strategy to achieve a further reduction in the footprint of our office space:

1. Maximise efficiency of space by consolidating operations into fewer, larger offices, making the best use of space via open plan layouts, and minimising paper use to reduce the need for filing cabinets and printers, plus flexible working to increase occupancy. For example, in York we have consolidated from two offices into one, reducing energy consumption whilst providing a dramatically improved working environment.
2. Maximise energy efficiency by relocating to grade A space with more efficient heating, cooling, lighting systems and superior insulation. This has resulted in a circa 9% energy reduction.

Energy reduction per year

9%

Target: 9.9% by 2022

Lincoln and York office space

Knights rapidly modernises the businesses it acquires, investing significantly in improving their digital infrastructure and ensuring the office environment is reflective of our premium office spaces.

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

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

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 one reporting year – the 12 months starting 01/05/2021 and ending 30/04/2022.

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 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 and Maidstone offices.
- Chester and Maidstone offices use 100% renewable electricity.

Annual energy consumption (kWh)	01/05/2020 to 30/04/2021	01/05/2021 to 30/04/2022
Electricity	1,428,208	1,447,100
Gas	324,385	324,385
Transport fuel	79,238	459,826
Total	**1,831,831**	**2,231,311**

Annual GHG emissions (tCO_2e)		
Scope 1		
Emissions from combustion of gas	59.6	59.6
Emissions from combustion of fuel for transport purposes	2.1	15.0
Scope 2		
Emissions from purchased electricity – location-based	333.0	337.0
Emissions from purchased electricity – market-based*	278.9	280.6
Scope 3		
Emissions from business travel in rental cars or employee vehicles where company is responsible for purchasing the fuel	22.1	78.0
Emissions from electricity upstream transportation and distribution losses and excavation and transport of fuels – location-based	86.3	87.4
Emissions from upstream transport and distribution losses and excavation and transport of fuels – market-based*	73.1	74.1
Total tCO_2e emissions (location-based)	**503.1**	**577.0**
Total tCO_2e emissions (market-based)	**433.8**	**507.3**

Intensity (tCO_2e/FTE)		
Full Time Equivalent ('FTE') Employees	1,080	1,306
Intensity ratio: total location-based tonnes per FTE employee tCO_2e/FTE	**0.47**	**0.44**
Intensity ratio: total market-based* tonnes per FTE employee tCO_2e/FTE	**0.40**	**0.39**

Intensity (tCO_2e/£m revenue)		
Revenue (£m)	103.2	125.6
Intensity ratio: total location based tonnes per £m revenue tCO_2e/£m	**4.88**	**4.59**
Intensity ratio: total market based* tonnes per £m revenue tCO_2e/£m	**4.20**	**4.04**
Methodology	GHG Protocol Corporate Accounting and Reporting Standard	

Note

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

* Train travel taken from Inntel data held for period of six months and multiplied across year.

Methodology

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 (Bingham, Birmingham, Cheltenham, Chester, Crawley, Derby, Exeter, Hollins Chambers, Leeds (Majestic & Wellington Place), Leicester, Lincoln, Maidstone, Manchester, Nottingham, Oxford, Stoke, Wilmslow, York).

Section 172(1) Statement

The Board recognises that the Group has a number of stakeholders and that it must understand their views in order for the Company to enjoy 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 Company's employees;
- the need to foster the Company's business relationships with suppliers, clients and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.

The disclosures set out below are some examples of how the Board has had regard to the matters set out in Section 172(1)(a) to (f) when discharging their 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

The Board regularly engages with shareholders and is committed to an open dialogue and fair and equal treatment of all shareholders. The Board receives regular updates on shareholder engagement and analyst commentary and receives presentations from corporate brokers on investor perception. Knights' CEO and CFO have a full programme of engagement with shareholders and present to the Group's largest shareholders, as well as sell-side analysts, following the full and half year results. The CEO and CFO also meet regularly with individual shareholders.

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

Our Annual General Meeting ('AGM') is an important part of effective shareholder communication, with all shareholders having the opportunity to hear from the Company and ask questions. The Board welcomes the opportunity to engage with shareholders, typically providing a brief update presentation at each AGM, with all Directors being available to answer questions. The Board would however welcome greater participation from shareholders. The Company is looking at other ways to broaden the participation of all shareholders.

Employees

During the last financial year, engagement with employees whilst the business has worked in a hybrid remote/office environment has been more important than ever. The Executive Directors have ensured constant engagement throughout the period both virtually when necessary and in person when possible, encouraging employees to come back to the offices. The Board has received regular updates of the outcome of this engagement via the Executive Directors and continuously monitors the culture in which our employees work to ensure that it is a positive environment to allow our employees to develop and grow.

The Board recognises that delivery of the Group's strategy requires strong employee engagement. This occurs via a variety of methods, including in-person roadshows across all offices where our CEO and leadership team meet colleagues to discuss key drivers for the business. To support the Group's strong internal culture and the cultural integration of those firms that have been recently acquired we hold webinars, and open Q&As with our CEO regularly take place, ensuring that our colleagues are regularly updated on the Company's strategy, vision and purpose.

In addition, following her appointment in March 2021 Gillian Davies has been introduced to various employees across the business to ensure the Board is fully informed of stakeholder engagement.

Regulators

The Group continues to work collaboratively with the regulator, the 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 Solicitors Regulation Authority and, as an AIM listed company, the Group is in regular contact with our Nominated Advisor and the Financial Conduct Authority.

Decision making

Clients

Knights takes a proactive approach to communicating with clients. The CEO and members of the leadership team also meet existing and potential clients regularly, to maintain our strong relationships and provide regular feedback to the Board. Nurturing existing client relationships and new client opportunities is central to the Group's strategic priorities, continuing to grow the business organically.

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. The Board plays a key oversight role in ensuring compliance with 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 28 to 32 of this report. Detailed updates on this strategy and associated programmes of work are regularly provided to the Board.

Acquisitions

In line with its strategic goal of being the leading legal and professional services business outside London, the Group acquired two law firms during the year, adding additional scale, new practice areas and a presence in a number of key geographical markets. These acquisitions enhance the Group's revenue generation which in turn provides longer-term returns to shareholders, as well as enhanced employment opportunities for new colleagues. Before proceeding, the Board carefully considered the effect pursuing these acquisitions would have on the Group's gearing and creditors to ensure that completion would not adversely impact creditors' interests. The Board also considered how each acquisition would fit in with the culture of the business and the long-term value creation strategy of the wider Group.

Dividend

The Board declared an interim dividend for the year 2022 of 1.46p per share in January 2022. To arrive at this decision, the Board considered both the Group's cash position and its shareholders' interests. The Board considered that the Group's cash reserves were sufficient to ensure its ongoing ability to meet all its obligations and its future acquisition and investment strategy.

Approval of the Budget

The Group's business plan is to drive sustainable long-term growth in the interest of all its stakeholders. In establishing and approving the annual budget, the Board considers this objective carefully, taking measures to ensure that excellent levels of cash collection and lock-up days are maintained. In light of the rapidly changing macro-economic climate this year, the Board has further considered the impact of external factors on the Group's financial performance and its ability to deliver for its stakeholders. The Board is satisfied that the Group has no over-reliance on any single practice area, professional or individual client; and has significant headroom in its banking facilities. The Group is therefore considered by the Board to be well placed to continue to deliver a high standard of client service, maintain strong relationships with its suppliers, and continue its focus on minimising its environmental impact.

Non-Financial Report

We have set out where information related to these disclosures can be found in our Annual Report, including our business model which is set out on pages 14 to 15. The principal risks relating to these matters and due diligence undertaken in pursuance of our policies is set out in the Principle Risks and Uncertainties section of our Annual Report, on pages 48 to 53.

Requirement	Where to find information	Policy overview
Environmental matters	**Looking after the environment** pages 32 - 33	The Group's materiality assessment has determined that Knights' environmental impact is relatively low. As a people and services business, Knights' key impacts are the consumption of paper and wider energy usage. The Group recognises the need to minimise its impact and continually measure and monitor the environmental sustainability of its operations and, where possible, sets targets to ensure that it operates with minimal impact. Knights provides regular environmental and progress updates to employees, clients, and other interested stakeholders. A summary of its progress in 2022 is detailed on page 32 and KPIs relating to the Group's streamlined energy and carbon reporting ('SECR') is available on page 33.
Employees	**Investment case** pages 04 - 05 **Chairman's statement** pages 06 - 07 **Chief Executive's review** pages 08 - 11 **Business model** pages 14 - 15 **Caring for our people and communities** pages 28 - 32 **Section 172 statement** pages 34 - 35	As set out in the Investment case, pages 04 - 05, Chairman's statement, pages 06 - 07, Chief Executive's review, pages 08 - 11, and Business Model, pages 14 - 15, Knights' employees are an essential component of the business and their health and wellbeing remain a Group priority. **Health & Safety Policy:** Knights ensures that, so far as is reasonably practicable, the health, safety and welfare of all employees working for the company and other persons who may be affected by its undertakings is protected at all times. It is the policy of management to do all that is reasonably practicable to prevent personal injury and damage to property. All employees are informed of their personal responsibilities to take due care of the health and safety of themselves and to ensure that they do not endanger others. Knights ensures continued consultation with the workforce to enable all viewpoints and recommendations to be discussed at regular intervals. The organisation has a systematic approach to identifying hazards, assessing the risks, determining suitable and sufficient control measures, and informing employees of the correct procedures needed to maintain a safe working environment. The Group will provide, so far as is reasonably practicable, safe places and systems of work, safe plant and machinery, safe handling of materials and substances, the provision of adequate safety equipment and ensure that appropriate information, instruction, training and supervision is given. Management is committed to continually measure, monitor and revise an annual plan to ensure that health and safety standards are adequately maintained. The policy is implemented by the Quality, Health and Safety Manager, who recommends any changes to meet new circumstances. **Training:** A wide range of training and development opportunities is available for all employees. Fee-earning colleagues receive mandatory compliance training during the onboarding process and are required to refresh this every year. **Diversity & Inclusion Policy:** Knights is an equal opportunities employer, committed to ensuring the workplace is free from unlawful discrimination, victimisation or harassment on the grounds of age, disability, race, sex, sexual orientation, religion or belief. Knights values and is committed to promoting equality and diversity within the workplace by seeking to ensure that all individuals are treated fairly with dignity and respect and by recognising and encouraging individual contribution within the organisation. Knights is committed to ensuring that all its employees and all applicants for employment are protected from unlawful discrimination. Knights does not discriminate against employees. Knights has leading levels of gender diversity among professional services businesses and regularly publishes its gender pay gap report on its website. **Conflicts of Interest and Related Parties:** The policy covers our interest conflicts, which states that Knights can never act where there is an own interest conflict with a new or existing client. The SRA Standards and Regulations do not allow a client to waive or consent to a conflict of interests with the business. Fee earners are expected to use their judgement and seek further guidance and approval from Compliance in all cases where there may be a potential conflict. Client conflicts are covered under the SRA Standards and Regulations. Where there is a conflict between new or existing clients, Knights cannot accept/continue instructions unless the affected clients have a substantially common interest or are competing for the same objective. Information conflict and duty conflict are also covered by our policy. Knights provides periodic training on the identification of conflicts of interest and compliance is monitored by the Compliance Officer for Legal Practice, who is responsible for this policy. Policies are reviewed at least annually. **Whistleblowing:** Employees are encouraged to report any serious wrongdoing by the business or its employees that fall short of its business principles. If they feel unable to report these concerns to a manager, the Group also provides a whistleblowing process, which is detailed on its website and provided to employees. Knights undertakes that no employee who raises bona fide concerns under this Policy will be subjected to any detriment as a result.

Requirement	Where to find information	Policy overview
Social matters	**Caring for our people and communities** pages 28 - 32	As outlined in Caring for Colleagues and Communities, Knights is actively engaged in its communities through both employment and community activities. Knights' legal services are also aimed at helping local businesses thrive and grow. The Group enables colleagues to support their local communities through its 4 Our Community programme, where colleagues can spend four hours of work time per month offering assistance to organisations, such as charities, schools, care homes, food banks and youth centres or any organisation providing a social, educational, voluntary or charitable service to the community. Knights' aspiration is to deliver 64,000+ hours to its communities through the programme.
Respect for human rights	**Managing our business for the long-term** pages 26 - 27 **Section 172 statement** pages 34 - 35	**Modern Slavery:** The Group has a zero-tolerance approach to modern slavery anywhere in its supply chain and a full copy of its policy is detailed on its website. The Group's procurement policy includes a commitment to sustainable procurement and mitigation against the risk of modern slavery, bribery or corruption anywhere in our supply chain. The Group also aims to conduct itself in line with the highest standards and pay all invoices promptly. The Board plays a key oversight role in these policies.
Anti-corruption and anti-bribery	**Managing our business for the long-term** pages 26 - 27 **Section 172 statement** pages 34 - 35	Knights has a rigorous 'Know Your Client' process to ensure that its business is not used as a conduit for the proceeds of crime, terrorism or money laundering. The Group conducts thorough audits on clients' backgrounds before working with them, and its dedicated, independent in-house compliance teams rigorously monitor all work being conducted throughout the business on an ongoing basis. **Anti-Money Laundering:** Knights ensures its employees are aware of the law and are regularly provided with training in how to recognise and deal with transactions that may be related to money laundering. Knights provides employees with training and a manual to explain its policies and procedures, including reference to its Money Laundering Reporting Officer. Policies apply to all clients and all matters. The business is required to maintain records of client identification evidence for at least five years from the end of our business relationship with a client. Employee obligations are to carry out 'client due diligence' and to recognise and report suspicious transactions, as well as avoiding tipping off a suspect about a report. **Anti-Bribery and Corruption:** Knights is committed to maintaining the highest standards of ethics and compliance with all relevant laws wherever it does business. The Group does not tolerate any form of bribery or corruption and requires all individuals working for it to comply with anti-bribery and corruption laws and ethical standards. **Whistleblowing:** All employees of Knights should feel able to raise concerns about any safety, legal or ethical issues. If they feel unable to report these concerns to a manager, the Group also provides a whistleblowing process, which is detailed on its website.

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

Financial Review

I am pleased to report that, despite challenging conditions in the last two trading months of the year, during which we typically record our strongest trading of the financial year, we have delivered good revenue growth, with underlying profits* in line with the previous year."

Kate Lewis
Chief Financial Officer

Our continued focus on cash flow has resulted in excellent cash conversion* of 109% for the year and a lower than expected net debt figure. This positions the Group well to continue to deliver on its strategy to grow the business both organically and acquisitively, through carefully selected strategic acquisitions.

Financial results

	2022 £'000	2021 £'000
Revenue	**125,604**	103,201
Staff costs	**(76,863)**	(62,707)
Other underlying costs and charges	**(30,610)**	(22,075)
Underlying profit before tax*	**18,131**	18,419
Amortisation of acquisition related intangibles	**(3,815)**	(2,622)
One-off costs on acquisitions*	**(13,260)**	(10,288)
Profit before tax	**1,056**	5,509
Basic EPS	**(3.02p)**	4.14p
Basic Underlying EPS	**17.23p**	18.30p

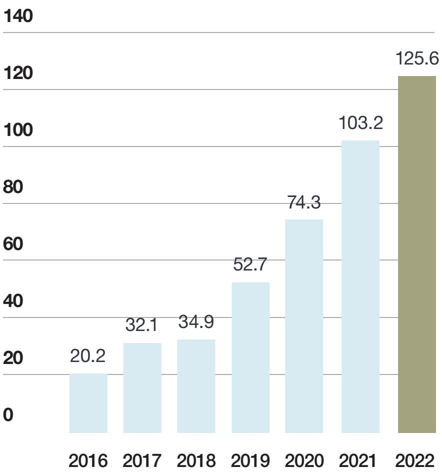
Revenue

Reported revenue for the period was £125.6m compared with £103.2m in FY21, representing a 21.7% increase.

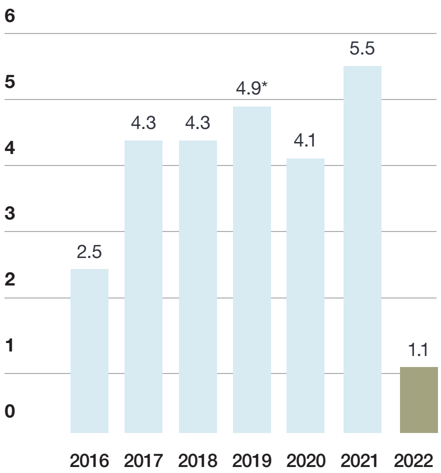
Of this increase 25%, or £5.8m, was from acquisitions made during the financial year and £16.9m was contributed by acquisitions made in FY21, an increase of £14.8m from the revenue relating to those acquisitions recognised in FY21.

The Group achieved organic growth of 1.8% overall for FY22, with organic growth in the first half of the year amounting to £4.3m (9.3%). However, this was offset by a £2.5m (4.6%) reduction in organic revenues in the second half of the year compared to the same period the previous year. This decline was due to the impact of unusually high levels of employee sickness and disruption caused by the Omicron variant and a slight softening in business confidence as a result of macro-economic pressures in the last quarter of the year, typically the most significant trading period of the financial year.

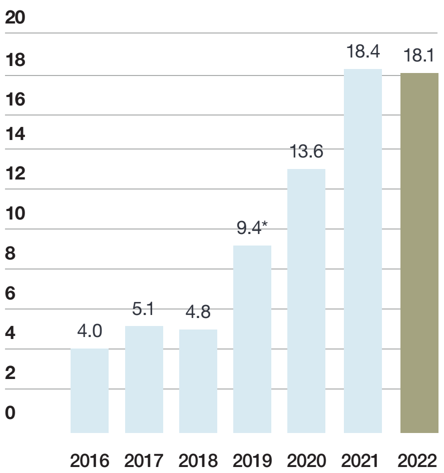
Revenue (£m)



Reported profit before tax (£m)



Underlying profit before tax* (£m)



Note
* See Glossary on pages 126-127.

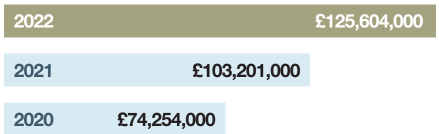
Revenue (continued)

Our strategic focus is to deliver premium services to a high-quality client base and as such, it is necessary in some instances to restructure certain areas of the business to ensure our focus is on executing our overall strategy. During the financial year, both our organic growth and our income from acquisitions was impacted by the restructuring of some less profitable and strategically misaligned teams.

The cessation of volume debt recovery and volume conveyancing business during the last 12 months has impacted organic revenues by circa £2m. Excluding the impact of this restructuring, organic growth for FY22 would be circa 4%.

In relation to acquisition income, for the Keebles acquisition, approximately £0.9m of revenue relating to legal aid matters and other non-strategically aligned areas was transferred to third parties for asset value.

Given the full year impact of acquisitions made during the year, as at 30 April 2022 the run rate revenue for the Group was circa £132m.



Revenue growth

+21.7%

Staff costs

Total staff costs represented 61.2% of revenue during the financial year compared with 60.8% in 2021.

Fee earner staff costs have decreased, from 51.1% to 50.7% of revenue, reflecting our ongoing efforts to control costs whilst continuing to invest in high-quality senior recruits who bring a client following. During the year 19 partners joined the Group as part of our active recruitment process. Each new recruited partner typically requires a period of three to six months minimum before achieving their full expected fee earning run rate.

Support staff costs increased slightly to 10.5% of revenue in the year, compared to 9.7% in the prior year, driven by the full year cost of investment made in our operational infrastructure in FY21, including additional office services employees required to manage the move to an increased level of office-based working.

Staff costs leverage was impacted during the year due to trading headwinds adversely affecting revenue at the end of the financial year. Management continues to focus on ensuring staffing costs are leveraged sufficiently, balancing this with ensuring the business is fully invested in and supported ahead of planned future growth.

Total staff costs (as a % of revenue)

61.2%

2021: 60.8%
2020: 61.4%

Direct staff costs (as a % of revenue)

50.7%

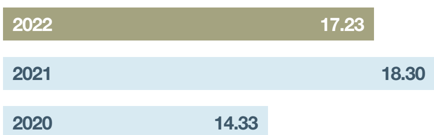
2021: 51.1%
2020: 52.1%

Support staff costs (as a % of revenue)

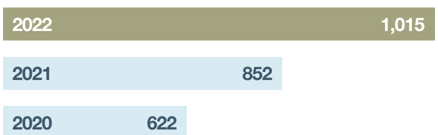
10.5%

2021: 9.7%
2020: 9.3%

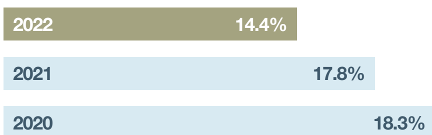
Underlying EPS (p)*



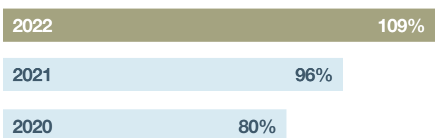
Average number of fee earners



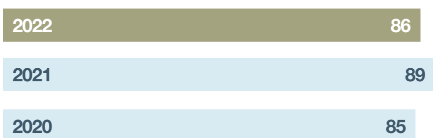
Underlying PBT margin*



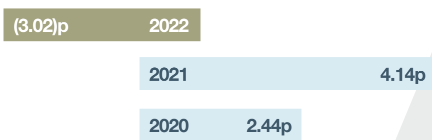
Cash conversion*



Lock up days*



Reported Basic EPS



Note
* See Glossary on pages 126-127.

Financial Review continued

Underlying profit before tax (PBT)*

To reflect the impact of the Omicron variant and softening of business confidence due to the macro-economic environment in the last two months of the financial year, headline figures for the year have been analysed as a half year period in the table below to facilitate a view of the Group's trading performance.

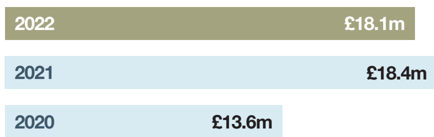
	H1 FY22 £'000	H2 FY22 £'000	FY22 £'000	H1 FY21 £'000	H2 FY21 £'000	FY21 £'000
Revenue	59,730	65,874	125,604	46,237	56,964	103,201
Other operating income	449	821	1,270	539	771	1,310
Staff costs	(37,849)	(39,014)	(76,863)	(29,635)	(33,072)	(62,707)
Depreciation and amortisation charges	(5,226)	(5,552)	(10,778)	(3,367)	(4,363)	(7,730)
Impairment of trade receivables and contract assets	(309)	(189)	(498)	(105)	(118)	(223)
Other operating charges	(10,087)	(11,990)	(22,077)	(7,909)	(8,264)	(16,173)
Non-underlying costs	(4,804)	(8,456)	(13,260)	(6,007)	(4,281)	(10,288)
Operating profit/(loss)	**1,904**	**1,494**	**3,398**	**(247)**	**7,637**	**7,390**
Finance costs	(1,059)	(1,305)	(2,364)	(890)	(991)	(1,881)
Finance income	3	19	22	–	–	–
Profit/(loss) before tax	**848**	**208**	**1,056**	**(1,137)**	**6,646**	**5,509**
Underlying Profit Before Tax*	7,551	10,580	18,131	5,993	12,426	18,419
Underlying PBT margin*	12.6%	16.1%	14.4%	13.0%	21.8%	17.8%
Underlying Profit After Tax*			14,422			15,040
Basic EPS (pence)			(3.02)			4.14
Underlying basic earnings per share (pence)*			17.23			18.30

* See Glossary on pages 126-127.

Underlying profit before tax excludes amortisation of acquired intangibles, transaction and onerous lease costs in relation to acquisitions, disposals of acquired assets, restructuring costs as a result of the streamlining of the support function in acquisitions and restructuring undertaken in response to the COVID-19 pandemic in FY21. It also excludes contingent consideration payments required to be reflected through the Statement of Comprehensive Income under IFRS and share-based payments for one-off share awards made at IPO and as part of the acquisitions, and the one-off Share Incentive Plan offered to employees as a result of the listing. Any one-off accelerated charges required under IFRS 2 due to employees leaving the scheme, as a result of COVID or a reduction in the share price following the trading announcement in March 2022, are also excluded from underlying charges as once an individual has left the scheme this charge is an accounting requirement only and is not an alternative form of remuneration for the employee. Any share-based payments charges relating to ongoing SAYE and LTIP schemes are recognised as underlying costs of the Group.

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

Underlying profit before tax decreased slightly compared with the same period last year, by 1.6% to £18.1m (2021: £18.4m), representing a margin of 14.4% for the full year, compared with 17.8% in the prior year. This decrease in margin is due to the direct impact on profit of the lower than anticipated revenue in the last two trading months of the financial year, as previously explained. The cost base of the business was at a level that budgeted for anticipated revenue of circa £131m. If this revenue budget of £131m had been achieved the additional £5m of revenue would have supported profitability and delivered an underlying PBT margin of circa 17.7%, in line with prior years.



Decrease in underlying PBT*

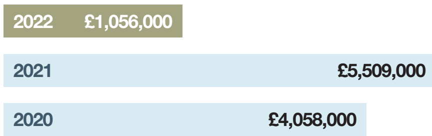
–1.6%

Underlying PBT* growth

Reported profit before tax (PBT)

Reported profit before tax for the year has decreased to £1.1m (2021: £5.5m), reflecting the net impact of the £0.3m decrease in underlying profit before tax, a £1.2m increase in amortisation of acquired intangibles and a £3.0m increase in non-underlying costs.

Non-underlying costs increased from £10.3m in FY21 to £13.3m principally due to the following increases in costs compared to the prior year; £1.4m relating to the impairment of right of use assets, a £0.7m loss on disposal of tangible assets acquired in a business combination, £0.6m in redundancy and reorganisation costs on acquisitions completed during the year, and £0.3m in respect of the contingent consideration element of the purchase cost of acquisitions being recognised in the Statement of Comprehensive Income in accordance with IFRS accounting conventions.



(Loss)/Earnings per share (EPS)

The weighted average number of shares in the year to 30 April 2022 was 83,717,952 (2021: 82,189,113) which gives a basic loss per share (Basic EPS) for the year of (3.02p) (2021: profit of 4.14p). Due to the loss in the year the options are not dilutive; diluted EPS in 2021 was 4.09p.

In order to compare the EPS year on year, underlying EPS has been calculated showing 17.23p in the year to 30 April 2022 compared with 18.30p in the prior year. This measure eliminates the effect of any non-recurring and non-underlying costs on the EPS calculation. The decrease in the underlying EPS of 6% compared to the prior year is due to an increase in both the tax rate and the average number of shares in issue in FY22 compared to the prior year.

Underlying EPS*

17.23p

2021: 18.30p
2020: 14.33p

Basic EPS

(3.02p)

2021: 4.14p
2020: 2.44p

Corporation tax

The Group's tax charge for the year is £3.6m (2021: £2.1m), made up of a current corporation tax charge of £1.5m (2021: £2.6m) and a deferred tax charge of £2.1m (2021: deferred tax credit of £0.5m).

As corporation tax will increase from 19% to 25% from 1 April 2023 the effect of the new rate on the Group's deferred tax charge has been applied in the year and amounts to £1.7m which is included within the deferred tax charge.

The total effective rate of tax is 340% (2021: 38%) based on reported profit before tax. This has been adversely affected by the change in the rate of deferred tax applied in the year as noted above. The effective rate of tax on the underlying profit of the business is 21% (2021: 18%) (see note 17 of the financial statements).

Effective rate of tax on underlying profit

21%

2021: 18%
2020: 21%

Dividend

As previously outlined, the Board did not declare a dividend during the COVID pandemic. The Board has decided to resume paying dividends in respect of the year ended 30 April 2022 in accordance with the previous dividend policy, being a total dividend payable of circa 20% of profits after tax.

Subject to approval at the AGM in September 2022, the Board is pleased to announce a final dividend for the year of 2.04p per share. This, together with the interim dividend of 1.46p per shares brings the total dividend in respect of FY22 to 3.50p per share.

Dividend per share (pence)

3.50p

2021: 0p
2020: 1.10p

Note
* See Glossary on pages 126-127.

Financial Review continued

Balance sheet

	30 April 22 £'000	30 April 21 £'000
Goodwill and intangible assets	82,172	79,523
Right of use assets	40,663	40,406
Working capital	44,302	36,929
Accrued consideration	–	(8,310)
Other net liabilities	(3,028)	(991)
Lease liabilities	(46,528)	(42,640)
Assets held for resale (net of cash included below)	635	–
	118,216	104,917
Cash and cash equivalents	4,227	4,783
Overdraft	–	(1,852)
Borrowings	(33,153)	(24,064)
Net debt*	**(28,926)**	(21,133)
Deferred consideration	(3,631)	(1,095)
Net assets	**85,659**	82,689

* Net debt excludes lease liabilities.

The Group's net assets as at 30 April 2022 increased by £3.0m from the prior year reflecting the equity consideration on acquisitions in the year and the net result for the year.

Goodwill and intangible assets

Included within intangible assets and goodwill is £30.1m of intangible assets identified on current and prior year acquisitions. This relates to customer relationships, values attached to restrictive covenants and brand. £0.3m relates to computer software, with the remaining balance of £51.8m relating to goodwill from acquisitions.

The Board carries out an impairment review of goodwill each year to ensure the carrying value is supportable. The value in use of the goodwill was calculated using a number of different scenarios, some of which assumed a considerably 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 2022, the Board is satisfied that the goodwill was not impaired.

Goodwill and intangible assets

£82.2m

2021: £79.5m
2020: £69.1m

Working capital

The Group manages its working capital requirements closely, with impact on working capital a key consideration in all business decisions. The management of working capital has always been a key performance indicator, with strong controls and systems in place to monitor the level of debtors and work in progress in the business. Number of lock up days is the primary metric used by the Group to measure the length of time it takes to convert work recorded into cash received and this is discussed fully in the Key Performance Indicators section on pages 45-47 of this report.

The reported working capital balance has been impacted by the year end corporation tax position. The Group pays its corporation tax quarterly in advance based on budgeted profit levels for the year.

Tax instalments in the first half of the year were based on a higher level of year end profitability resulting in an overpayment of £1.8m. The net impact of the corporation tax asset in FY22, compared to the liability as at FY21 resulted in a reported increase in working capital of £2.5m. Excluding corporation tax balances at each year end working capital has increased from £37.7m at 30 April 2021 to £42.5m at 30 April 2022, an increase of 13% which is in line with the increase in the run rate level of revenue at each year end taking into account the full year impact of acquisitions during the year. As at 30 April 2022 run rate revenue is circa £132m being £126m reported plus circa £6m for the full year impact of FY22 acquisitions.

Bad debt (as a % of revenue)

0.4%

2021: 0.2%
2020: 0.2%

Due to the strong controls already in place the Group did not experience any significant change in its working capital cycle throughout the year as a result of the pandemic. Bad debts have increased slightly but remain at a very low level at 0.4% of turnover.

Management is satisfied with the level of working capital at the year end and the management of working capital over the period.

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 increase in right of use assets during the year from £40.4m in FY21 to £40.7m in FY22 was the result of new leases acquired as part of the acquisitions completed during the year and new leases entered into by the Group during the period less depreciation of £4.8m.

The lease liabilities represent the present value of the total liabilities recognised for right of use assets and the increase during the year to £46.5m (FY21: £42.6m) again reflects the leases in acquired entities and new leases entered into during the period, less repayment in the period.

During the year the Group entered into a lease for new premises in Maidstone and completed on a lease in York. Under IFRS16 these are accounted for as right of use assets and accordingly £2.3m has been capitalised within non-current assets in the Consolidated Statement of Financial Position.

During the year, in order to minimise the cost of some unoccupied property space, the Group agreed to lease one floor of an existing office to a third party. This has resulted in the Group recognising total lease receivables of £1.2m in the Statement of Financial Position during the period (FY21:£nil), representing the total present value of amounts receivable under the sub lease.

Right of use assets

£40.7m

2021: £40.4m
2020: £23.7m

Lease liabilities

£46.5m

2021: £42.6m
2020: £23.8m

Lease receivables

£1.2m

2021: £nil
2020: £nil

Net debt, financing and leverage

Strong cash conversion in the period has resulted in net debt of £28.9m at the year end. This figure represents an increase in net debt from £21.1m as at 30 April 2021 due to an aggregate cash outlay of £18.0m relating to consideration for acquisitions completed during the period, deferred consideration paid in relation to acquisitions in prior years, repayment of debt on acquisitions and contingent consideration charged as remuneration.

The Group's RCF facility was extended to £60m during the period, giving significant headroom to continue to support the growth strategy into 2023 through organic recruitment and strategic acquisitions.

Net debt

£28.9m

2021: £21.1m
2020: £15.9m

Leverage (multiple of underlying EBITDA*)

1.1 x

2021: 0.8 x
2020: 0.9 x

Cash conversion

	2022 £'000	2021 £'000
Net cash generated from underlying operating activities*	**25,060**	20,378
Tax paid	**(4,095)**	(2,125)
Cash outflow for IFRS 16 leases (rental payments excluded from operating activity cash flows under IFRS 16)	**(5,302)**	(3,741)
Free cash flow	**15,663**	14,512
Underlying profit after tax*	**14,422**	15,040
Cash conversion	**109%**	96%

The cash conversion percentage measures the Group's conversion of its underlying profit after tax into free cash flow. Due to a continued focus on management of working capital and lock up, the Group has again delivered strong cash conversion of 109% (2021: 96%) demonstrating strong cash controls.

Capital expenditure
Capital expenditure during the year was £2.5m (FY21: £4.3m).

During the year 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, with consistent systems across the Group to aid integration of acquisitions and support its 'one team' culture.

This includes refurbishment of offices that were part of acquisitions of circa £1.0m and system/equipment upgrades for acquisitions of £0.5m.

Capital budgets for FY23 include the normal level of expected investment in general IT, communications, and infrastructure to ensure we continue to have the capacity required for a growing business.

Note
* See Glossary on pages 126-127.

Financial Review continued

Cash conversion continued

Capital expenditure continued
Due to the acquisitions completed during FY22 and early FY23, and some potential relocation of offices due to expiring leases, we expect some one-off refurbishment costs amounting to circa £2.5m in the current financial year.

Acquisitions
During the year we signed and completed two acquisitions, and finalised the integration of the Keebles acquisition for which contracts were exchanged at the end of FY21.

The table below summarises the net impact of 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.

For completeness, the table also shows the cash impact of the acquisition post year end of Coffin Mew that completed on 8 July 2022.

Financial year ended	Cash impact from acquisitions in the year £m	Repayment of debt on acquisitions £m	Cash impact from prior year acquisitions £m	Total cash impact from acquisitions £m	Cash impact of post year end acquisitions £m
2022	**6.8**	**4.7**	**6.5**	**18.0**	**–**
2023	2.6	–	2.5	5.1	5.5
2024	2.6	–	1.4	4.0	2.0
2025	2.6	–	–	2.6	2.0
2026	–	–	–	–	2.0

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

Tax – Cash flow impact

Corporation tax

Corporation tax of £4.1m (FY21: £2.1m) was paid during the year. This included an overpayment of circa £1.8m due to the quarterly payment scheme calculations. Cash payments due for 2023 will be reduced by this amount.

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 regularly at Board meetings.

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

Since our first acquisition in 2012, the management team has been focused on growing the profitability and improving the cash generation of the business. As a result of this, the Board reviews KPIs relating to these metrics in line with our long-term strategy of building a strong and sustainable business with good cash flows and increasing underlying profitability.

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

With a 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.

As well as Underlying profit before Tax (PBT) discussed on page 40 and net debt and cash conversion, discussed on page 43 the Board also considers the following KPIs on a regular basis.

Lock up

Lock up days is a crucial KPI that is monitored closely by management to ensure continued delivery of a strong cash performance. It is the primary metric used by the Group to measure the length of time it takes to convert work delivered into cash received.

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

Year end lock up days of 86 represent a 3 day decrease against the 89 lock up days as at 30 April 2021. An analysis of lock up at each year end shows the following:

	30 April 2022	30 April 2021
Debtor days	**31**	36
WIP days	**55**	53
Total lock up	**86**	89

The above shows that the control over cash collection remains excellent with debtor days reducing to 31 days at the period end, reflecting our continued focus on cash collection. The reported WIP days has increased by 2 days due to the inclusion of the WIP days of businesses acquired during FY21 in the calculations as at 30 April 2022. WIP days of acquisitions in the last quarter of the year are excluded from the calculation therefore these were not included in the reported figure as at 30 April 2021. Progress has been made in reducing the lock up of the FY21 acquisitions (including Keebles) with an average lock up days of 149 at the date of acquisition reducing to 89 as at 30 April 2022.

Management is satisfied with the overall level of lock up at the year end which continues to be significantly better than the industry average.

Financial Review continued

Key performance indicators continued

Fee earner to non-fee earner ratio*

This ratio varies depending on the progression of the Group's growth strategy at a particular point in time. As at 30 April 2022 the Group was operating at a ratio of 3.5 fee earners for every one support staff (30 April 2021: 4.5:1) a relatively low ratio for the Group, but one that reflects continued investment in IT development, compliance and finance teams to ensure systems are developed appropriately and individuals supported adequately so that work can be completed in the most efficient manner, ensuring overall staff costs of the business are leveraged in the most effective way.

Lock up days

86 days

2021: 89 days
2020: 85 days

excluding the impact of the extended lock up on acquisitions made during the year

Underlying profit before tax*

£18.1m

2022	14.4%
2021	17.8%
2020	18.3%

Fee earner to non-fee earner ratio

3.5:1

2021: 4.5:1
2020: 4.8:1

Revenue growth

The Board's strategy is to grow a profitable, cash generative business. Therefore, in addition to monitoring the profitability and lock up of the Group, revenue growth is also a crucial KPI. Revenue growth is achieved via a combination of organic and acquisitive growth. The level of fee income growth is monitored closely by the Board on a monthly basis though the Board seeks to ensure that revenue growth always aligns with the Group's overall strategy of building a profitable, high-quality, culturally aligned business. As such strategic decisions may occasionally negatively impact the revenue growth reported in a year if the Board feels that strategically, they are in the long-term best interests of the Group.

Acquisitive growth is generated through making carefully selected, culturally aligned acquisitions each year. No acquisition revenue targets are set for the year as acquisitions will always be led by cultural fit and general business synergies rather than revenue growth targets. Income from acquisitions is treated as acquisitive income growth in the year of acquisition and the first full financial year following acquisition based on the fees generated by the individuals joining the Group from newly acquired offices. Recruitment of individuals into the acquired offices post acquisition is treated as part of the organic growth of the business. All acquisitions are integrated into the business within approximately 12 months post acquisition. As such, at the end of the first full financial year following acquisition the income from acquired businesses is deemed to form part of the base Group business and any future growth/decline in revenues impacts the organic growth of the Group. This can have a negative impact on the reported organic growth if a strategic decision is made to discontinue a particular acquired work stream after the first full year of trading. The Board's focus remains on building a strong, strategically aligned Group, rather than meeting short term KPI targets.

Organic growth in revenue is achieved via annual pricing reviews and improving recovery of time recorded, improving productivity, cross selling of additional services to existing clients, new client wins and recruitment of experienced fee earners who bring a good quality client following.

Acquisitive fee income growth

Acquisitions that exchanged and completed during the year contributed £5.8m to revenue for the year. This included the acquisition of Archers Law LLP in November 2021 and the acquisition of Langleys Solicitors LLP which was agreed in January 2022 and completed on 25 March 2022. To date, revenue contributions from the acquisitions made in FY22 are ahead of budgeted levels.

Acquisitive income in the year also includes total income of £16.9m from acquisitions undertaken in FY21, OTB Eveling LLP, Mundays LLP, Housing Law Services LLP and Keebles LLP. The FY21 reported fee income of £103.2m included £2.1m from these acquisitions. As such £14.8m of the growth in reported income in FY22 compared to FY21 relates to the full year impact of these acquisitions. At the time of acquisition, the historic reported revenues of these four businesses was circa £22.7m. Based on the reported revenue of £16.9m, this shows retained revenue at circa 74%. This is slightly lower than the normal budgeted retention rate of 80% due in part to the challenges faced by the rest of the Group at the end of the year and also the decision to restructure some small parts of the acquired businesses that were not strategically aligned with the rest of the Group. This amounted to a revenue reduction of circa £0.9m.

Organic fee income growth

Excluding the impact of acquisitions in FY21 and FY22, as summarised above, the overall movement in organic fee income for the year shows an increase of 2%.

	FY22 £m	FY21 £m
Income from FY22 acquisitions	5.8	–
Income from FY21 acquisitions	16.9	2.1
Organic income	102.9	101.1
Total income	125.6	103.2

The table above shows that organic income has increased to £102.9m from £101.1m in FY21.

* See Glossary on pages 126-127.

Revenue growth (continued)

As discussed, although revenue growth is an important KPI for the Board, its priority is to ensure that all areas of the business are operating profitably and are strategically aligned. Therefore, during the year management took the decision to stop providing volume debt recovery and volume conveyancing services. The provision of the volume conveyancing services, in particular, was not aligned with our focus on delivering premium residential property services to clients. In FY22 these businesses contributed circa £2m to revenues. Excluding this from the base revenues used to calculate organic growth would give an organic growth figure for the year of circa 4%.

Organic revenue levels in any year are driven by a number of factors, including charge out rate increases, changes in productivity, recruitment of new senior professionals with client followings, new client wins, and providing more services for existing clients. Despite the difficulties impacting productivity at the end of the financial year, there has been positive client momentum during FY22. There have been a number of significant new client wins during the year including the Teesside Regional Development Corporation, Aesop, Ecoserve and Arriva. There has also been positive momentum with existing clients, with revenues for the top 50 recurring clients showing overall revenue growth of 33% from FY21 levels to £20.5m. This increase is driven by annual pricing increases but also the strengthening of client relationships and the use by clients of more services within the Group.

The management team remains focused on maximising the organic growth opportunities available to the Group by continuing to develop existing as well as new client relationships and recruiting high-calibre individuals with a strong client following.

Fee earners and fees per fee earner

Although not standalone KPIs, the level of fee income generated by the Group is a product of the number of fee earners employed and the fees per fee earner generated by those individuals during the year. During the year to 30 April 2022 the average fees per fee earner have increased from £121k to £124k. Our focus continues on recruiting and retaining high-quality individuals and a focus on pricing and recovery of the value of time spent on work delivered. This metric will vary year on year depending on the mix of work and grade of fee earners in the business and although linked, does not always directly correlate to profitability of the Group. Management feels that there is scope to increase the fees per fee earner further in core business over the medium term.

The full time equivalent number (FTE) of fee earners is used to calculate the fees per fee earner as this takes into account flexible and part-time working patterns. The average number of FTE fee earners during the year was 1,015. Actual FTE fee earners employed at the year end was 978.

Average full time equivalent fee earners during the year

1,015

2021: 852
2020: 622

Fees per fee earner

£124k

2021: £121k
2020: £119k

In summary

Given the unexpected trading headwinds at the end of the financial year, the Board is pleased to deliver in line with its revised expectations, continuing to drive good levels of revenue growth and cash conversion.

The lower than anticipated levels of net debt as at the end of the year are the result of the Group's continued excellent cash management policy. The Group is in a strong position to invest in growing the business both organically and through strategic acquisition opportunities with headroom within its current RCF facility of over £30m.

Kate Lewis
Chief Financial Officer

11 July 2022

Principal Risks and Uncertainties

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

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

Principal risk	Description	Mitigation	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 Group's policies and procedures. 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 all relevant individuals within the business. The Board considers the business' professional duties to its clients to be of paramount importance and considers that the business has appropriate processes and procedures in place, and generally has a good claims history.	—

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. 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% of the issued share capital. If a non-authorised shareholder were to obtain a shareholding in excess of 10% this would be classed as a criminal offence and the SRA could force divestment or revoke the Licensed Body status of the Group. As a professional services provider, the Group is exposed to the risk that personnel may engage in misconduct or improper use of confidential client information. Such misconduct could damage the Group's reputation or result in regulatory sanctions and financial damage.	The Group has a strong and experienced Compliance and Regulatory team which regularly monitors compliance with all necessary regulations. External advice is taken if required. The Board is regularly updated on any regulatory developments and any re-assessment of risk so that it can ensure that such matters are fully considered in all business and strategic decisions. 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. 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, using technology as appropriate to support this. Knights adheres to an Information Security policy and processes that draw on best practice from ISO 270001 and Cyber Essentials Plus. This policy is delivered annually to all colleagues and new recruits on induction and integration of an acquired business. The Group takes data protection seriously and has in place robust data protection procedures to ensure it is compliant with GDPR regulations. The Compliance and Finance teams undertake regular audits of files, receive regular training and the Group maintains robust processes to mitigate the risk of fraudulent transactions.	—

Principal Risks and Uncertainties
continued

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 are undertaken with all colleagues by the senior management team regarding each of these areas of financial risk.	—

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. However with the majority of the Group's offices being in regional locations, where there is less competition, the overall personnel risk for the Group as a whole has not increased significantly. 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 attracting high-quality personnel with organic growth being a key focus for the Board. The Group also offers competitive remuneration packages in its current locations, flexible working conditions and a no targets team culture allowing individuals to maximise their job satisfaction and work-life balance. Employee contracts include restrictive covenant provisions to protect the business where possible. The Group enjoys low staff turnover and the Board strives to continuously engage with its employees to ensure that they understand the drivers of the business. The Board, supported by the leadership team, seek to ensure that there is continuous reinforcement of the transparent and collaborative culture with regular all staff, office, team and one-to-one engagement. During the year the Board has continued to work hard to expand and strengthen the management team of the Group to ensure the management structure in place is sufficient to support the future growth of the business. In particular, in the last year the Client Services team has grown with the appointment of four additional Client Services Directors. There are now 12 Client Services Directors responsible for the day-to-day management of offices and the integration of acquisitions. Investment continues, as necessary, in the operations to ensure that the execution and integration of acquisitions and the ongoing focus on organic growth and strengthening of the existing business can be maintained with a wider team taking responsibility for these activities.	—
Acquisition risk	A key part of the Group's strategy is to expand the business through the acquisition of 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 suitable potential acquisitions to continue with its growth strategy.	The Group has an experienced in-house acquisitions team that undertakes robust due diligence with expert external advice being sought where necessary. Warranties and disclosures 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 is 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 captured, driving improvements to 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.	—

Principal Risks and Uncertainties

Principal risk	Description	Mitigation	Risk Movement From Prior Year
Macro and Micro Economic Environment risk	Current uncertainty in the market as a result of:	The Board believes its exposure to both macro and micro environmental factors is limited:	
	a. COVID-19 and increased levels of sickness;	a. Although there was some impact on trading at the end of the financial year, the Board feel that the impact was exacerbated due to this disruption occurring in what are historically the biggest trading months of the financial year. The Board will monitor the situation closely and will act quickly to introduce mitigating factors, such as working from home should significant levels of illness spikes reoccur. The IT platform on which the Group operates allows effective remote working with a culture of sharing work across the business already in place. Budgets have been realigned for future years to reduce reliance of increased performance in the last quarter, and hence reduce the impact of any disruption over this period.	
	b. The impact of the war in Ukraine;	b. The Group has processes in place to continually monitor any exposure to countries with sanctions, and following such a review is satisfied that exposure to Russia or Belarus is not of concern. The Group's operations are all based in the UK.	
	c. General economic downturn and cost of living crisis/inflation; and	c. Within the Group there is no reliance on any one practice area, client or professional, with the business not being focused 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 focused conversations with clients, suppliers and other key stakeholders help inform if and when cost saving measures are required.	
	d. The potential for disruptive technology driven innovation that could impact the competitiveness of current service offerings.	d. 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 continuous focus on cash collection results in it having good levels of headroom to enable it to counteract unforeseen events, as evidenced during the last financial year with COVID restrictions.	
	e. There are a large number of potential competitors within the legal and professional services market competing for the Group's professional staff and clients, any loss of which could impact the financial performance of the Group.	e. The Board also believes by maintaining its high-quality work and strong client base, lawyers will continue to be attracted to Knights' business. See (c) above. The Group expects that the number of law firms may decrease due to the macro economic uncertainty within the market, an ever-increasing regulatory burden and the traditional partnership structure limiting cash resources available for future investment. The Board believes that this positions the Group well to attract talent from other law firms.	

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 Board's strategy and external public relations advisors are engaged to assist where necessary. The Group continues to closely monitor press communication, ensuring it continues to respond quickly to press activity in line with the agreed strategy to mitigate any brand/reputational damage.	—
Information Systems and Data Security risk	The Group is heavily reliant on its information technology systems for all day-to-day processes. A major IT system failure or a malicious attack, data breach or virus could impact the ability of the Group to operate having both reputational and financial implications. Although the external risk is increasing, our internal systems continue to be robust, are tested regularly and we have had no significant incidents affecting our systems through any cyber attacks.	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 significant 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. 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 cyber crime and in particular ransomware in light of COVID-19), the business and colleagues are aware of any heightened risk. Beyond training Knights' candid culture and team ethos delivers a supportive high communication environment which ensures colleagues can ask questions and be guided as required.	—

The strategic report and the information referred to herein was approved on behalf of the Board on 11 July 2022.

K Lewis

Kate Lewis
Chief Financial Officer