Knights

A decade in

A decade ahead

Annual Report and Accounts
30 April 2022

Knights Group Holdings plc

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

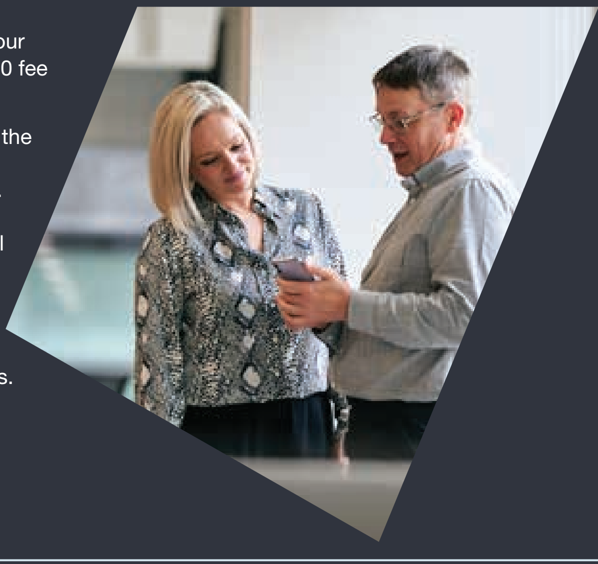
After a decade of building scale, we have elevated our reputation through our innovative culture and corporatised model, making Knights ever more attractive to its existing and new clients, top industry talent and high-quality acquisition candidates.

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

Corporate Governance

Financial Statements

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

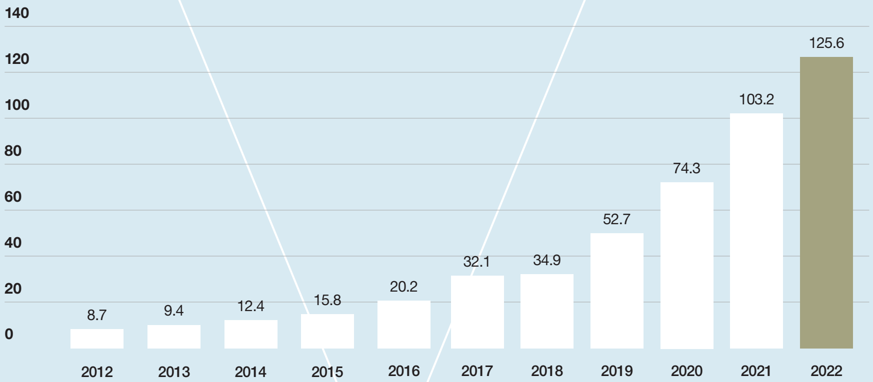
Net debt
£28.9m
(2021: £21.1m)

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.

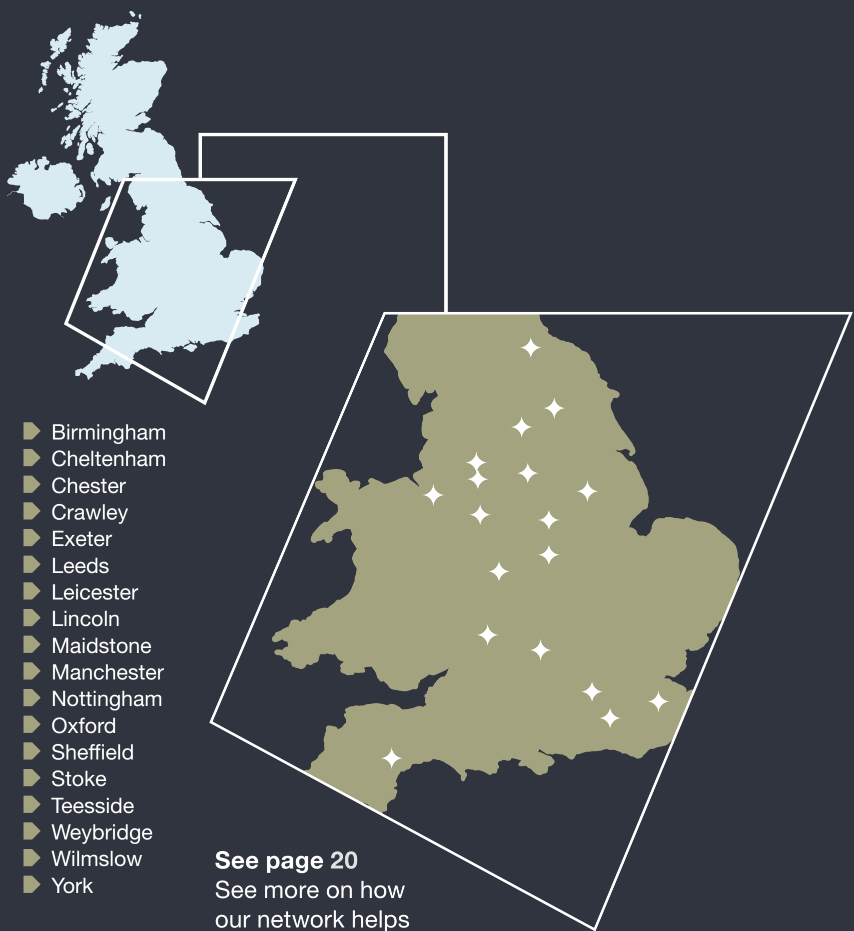
Our presence in regional locations means that we also bring strong local market knowledge and networks, offering quality advice from a competitive cost base.

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.



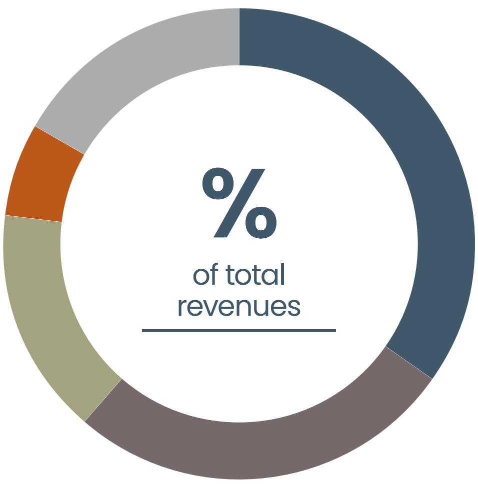
- Birmingham
- Cheltenham
- Chester
- Crawley
- Exeter
- Leeds
- Leicester
- Lincoln
- Maidstone
- Manchester
- Nottingham
- Oxford
- Sheffield
- Stoke
- Teesside
- Weybridge
- Wilmslow
- York

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

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

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



Real Estate

37.3%

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

Services
- Asset management
- Business parks
- Construction
- Development
- Mines and minerals
- Planning
- Plot sales
- Property litigation
- Retail
- Telecommunications
- Volume conveyancing

Dispute Resolution

21.3%

Service line
Resolving disputes across the full spectrum of services.

Services
- Arbitration
- Debt recovery
- Litigation
- Mediation
- Restructuring and insolvency

Corporate

16.4%

Service line
Commercial and practical advice on all operational activities across a highly diversified client base.

Services
- Banking
- Commercial
- Data protection
- Immigration
- Intellectual property
- Mergers, acquisitions and disposals
- Tax and financial services

Employment

5.6%

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

Services
- Litigation/Tribunals
- Management training
- Reorganisation
- Strategic projects
- Strategic audits/reports
- TUPE
- Investigations

Private Wealth

19.4%

Service line
Supporting the full range of needs for high net worth individuals and their families.

Services
- 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.

A strong track record in a highly attractive market

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.

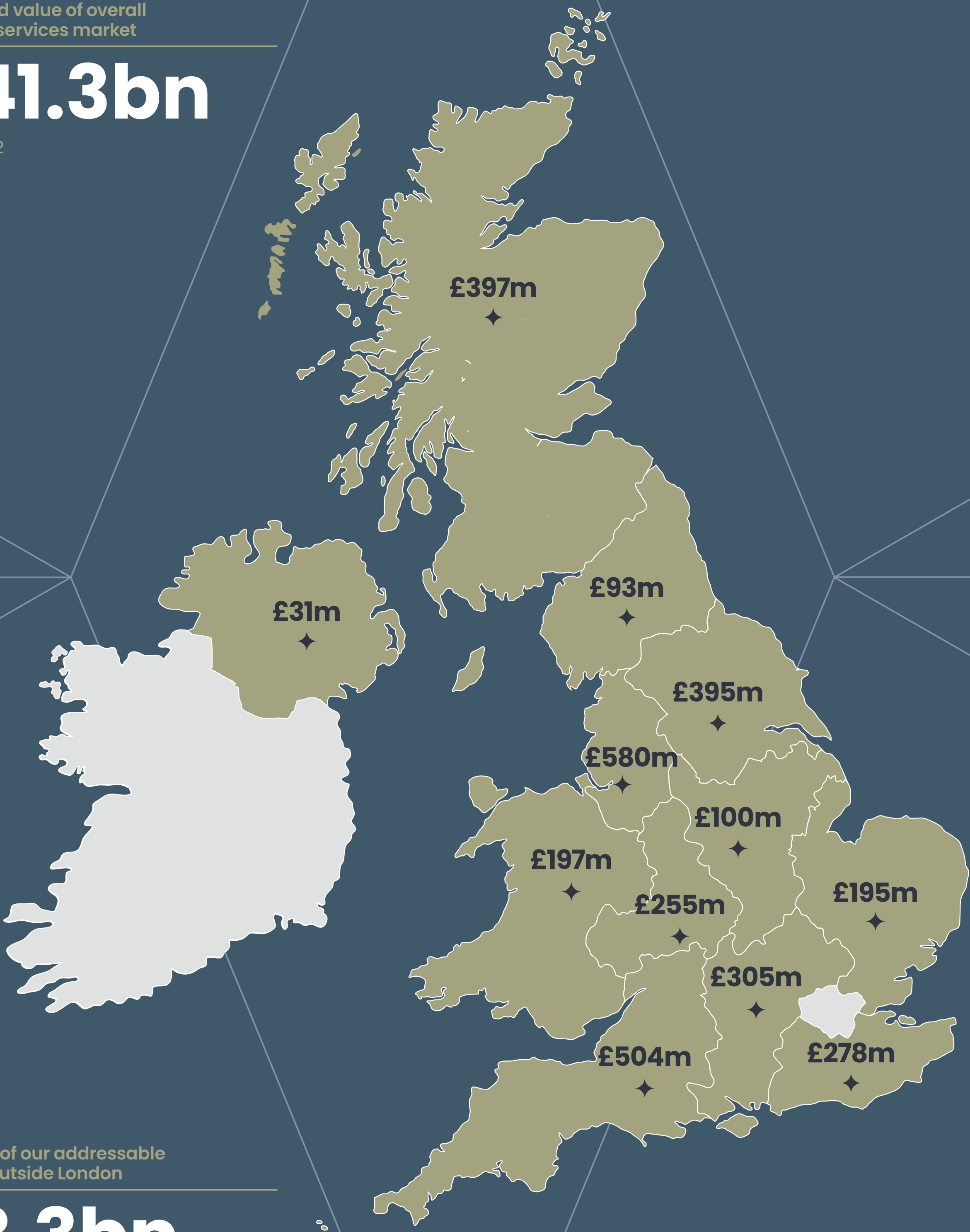
This enhances, and is also a direct result of, our 'one team' culture with colleagues naturally coming together from our various office locations and collaborating on the delivery of services, training and the growth of our business.

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

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.

Creating Value

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.

Outputs

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

Grow Organically	Strategic Acquisitions	Scale the Operation	Exploit Technology and Data
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

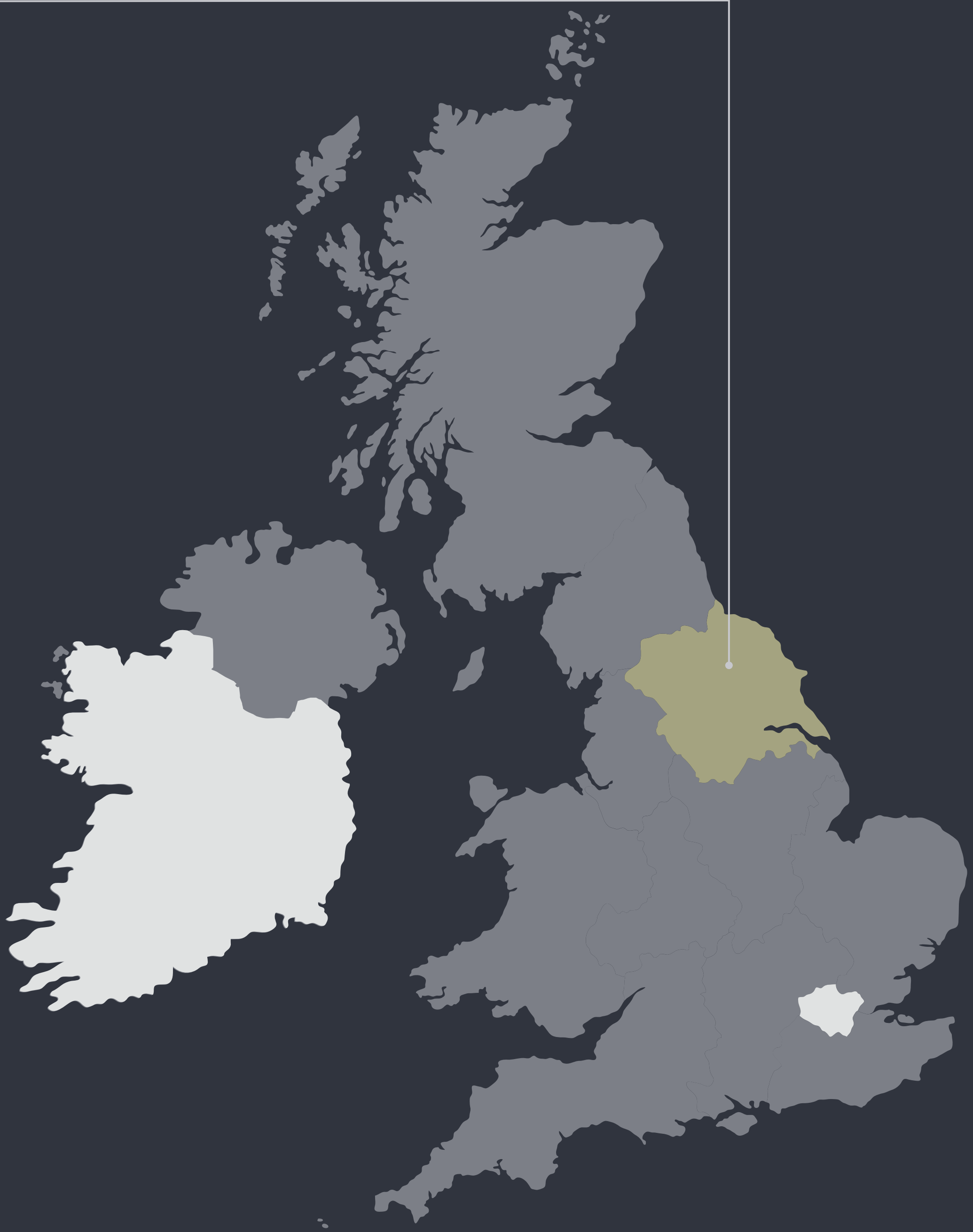
Knights entered the North East and the East of England and strengthened its presence in the Yorkshire region during the year, unlocking new reach and opportunities.

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.

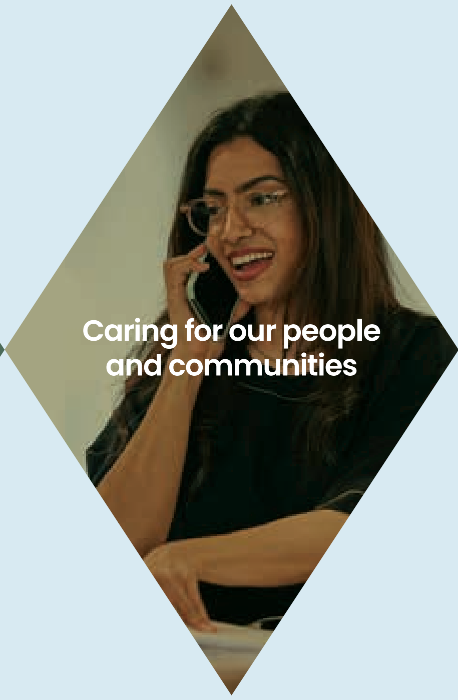
In addition, we have enhanced our client relationship management to focus on adding client contacts, improving cash collection by ensuring our automatic billing process delivers invoices to the correct client contact. We have added over 6,000 contacts to our client data set during this process, and improved 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)	01/05/2020 to 30/04/2021	01/05/2021 to 30/04/2022
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)	01/05/2020 to 30/04/2021	01/05/2021 to 30/04/2022
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)	01/05/2020 to 30/04/2021	01/05/2021 to 30/04/2022
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.

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.

Decision making

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

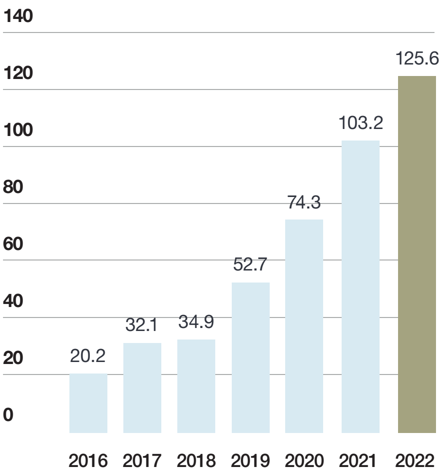
Revenue

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

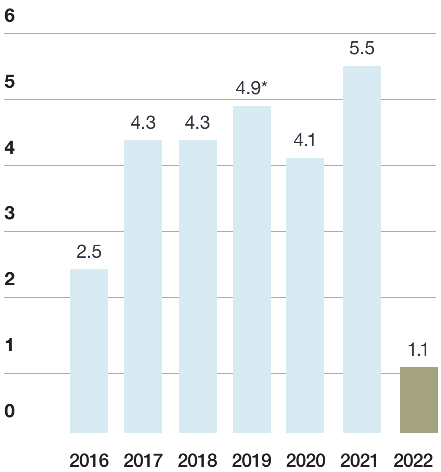
Of this increase 25%, or £5.8m, was from acquisitions made during the financial year and £16.9m was contributed by acquisitions made in FY21, an increase of £14.8m from the revenue relating to those acquisitions recognised in FY21.

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.

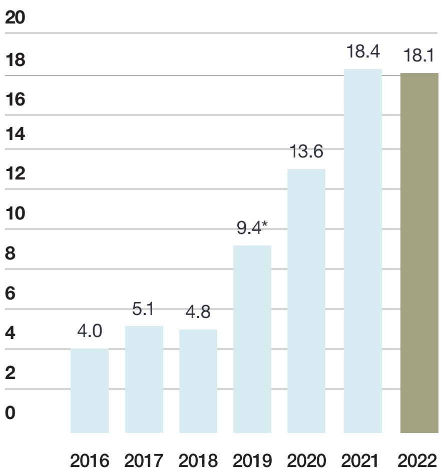
Revenue (£m)



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.

2022	£125,604,000
2021	£103,201,000
2020	£74,254,000

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)*

2022	17.23
2021	18.30
2020	14.33

Average number of fee earners

2022	1,015
2021	852
2020	622

Underlying PBT margin*

2022	14.4%
2021	17.8%
2020	18.3%

Cash conversion*

2022	109%
2021	96%
2020	80%

Lock up days*

2022	86
2021	89
2020	85

Reported Basic EPS

2022	(3.02)p
2021	4.14p
2020	2.44p

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.

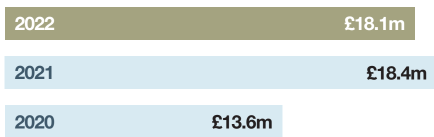
	H1 FY22 £'000	H2 FY22 £'000	FY22 £'000	H1 FY21 £'000	H2 FY21 £'000	FY21 £'000
Revenue	59,730	65,874	125,604	46,237	56,964	103,201
Other operating income	449	821	1,270	539	771	1,310
Staff costs	(37,849)	(39,014)	(76,863)	(29,635)	(33,072)	(62,707)
Depreciation and amortisation charges	(5,226)	(5,552)	(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.

2022	£1,056,000
2021	£5,509,000
2020	£4,058,000

(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: a. COVID-19 and increased levels of sickness; b. The impact of the war in Ukraine; c. General economic downturn and cost of living crisis/ inflation; and d. The potential for disruptive technology driven innovation that could impact the competitiveness of current service offerings. 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.	The Board believes its exposure to both macro and micro environmental factors is limited: 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 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. 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. 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. 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.

Kate Lewis
Chief Financial Officer

Corporate Governance

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Board of Directors

David Beech
Chief Executive Officer

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

Kate Lewis
Chief Financial Officer

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

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

Balbinder (Bal) Johal
Non-Executive Chairman

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

Gillian Davies
Senior Independent Non-Executive Director

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

Jane Pateman
Non-Executive Director

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

Outgoing members

Richard King
Chief Operating Officer

Retirement: May 2022

Richard served as a Non-Executive Director from 2018 and then joined the business as Knights' Chief Operating Officer from January 2019. He retired from the Board on 19 May 2022.

Chairman’s Introduction

Bal Johal
Non-Executive Chairman
11 July 2022

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

As Chairman, I am responsible for leading the Board to ensure that it has in place the strategy, people, structure and culture to deliver value to its stakeholders, and for ensuring that the governance arrangements that the Group has in place are proportionate and appropriate for the size and constitution of the Board and the complexity of the business. In accordance with the AIM rules, the Group has elected to comply with the principles set out in the Corporate Governance Code for small and mid-sized companies published by the Quoted Companies Alliance in April 2018 (the ‘QCA Code’) as the basis of its governance framework.

The underlying principle of the QCA Code is to “ensure the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term”. As a Board, we are committed to providing the leadership required to ensure that the culture that is so integral to the success of the business is embedded within the business and work hard to engage with employees and other key stakeholders to ensure that this healthy corporate culture continues to be delivered through open and honest dialogue. We are delighted to set out below how we comply with the QCA Code.

	Governance principle	Explanation	Further reading
1	Establish a strategy and business model which promotes long-term value for shareholders	Our strategy is to be the leading legal and professional services business outside London and we aim to achieve this through both organic and acquisitive growth as follows: ▶ Organic growth which in particular includes: – attracting new talent (be that individuals or teams) wishing to be part of a progressive legal and professional services business; – roll-out of new offices into attractive regional locations; – outsourcing from national and international firms; – increasing productivity through better use of IT; and – enhanced cross-selling through the addition of new service lines within the existing business. ▶ Acquisitive growth by continuing to acquire legal teams or firms offering geographic expansion into attractive new regional markets for Knights, and to further expand offerings in existing regional locations.	See pages 14-15
2	Seek to understand and meet shareholder needs and expectations	The CEO and CFO communicate regularly with shareholders, investors and analysts, including at our half-year and full-year results roadshows. The full Board is available at the Annual General Meeting (‘AGM’) to communicate with shareholders.	www.knightsplc.com/investors/corporate-governance
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	Aside from our shareholders, our clients, employees, suppliers and regulators are our most important stakeholders. We engage with these communities via regular communications in our day-to-day activities, and via formal feedback requests. We also understand the importance that we can play in giving back to our communities and our ESG report refers to the role that we play in this regard.	See pages 24-33
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	The Board continually considers the risk profile of the business and the impact of any changes to the risk profile driven by both macro and micro environmental conditions. The Audit Committee completes a wholesale review of the risk profile of the business on an annual basis. Both the Board and senior managers are responsible for reviewing and evaluating risk and the Executive Directors meet at least monthly to review ongoing trading performance, discuss budgets, forecasts and any potential new risks associated with ongoing changes in trading.	See pages 48-53

	Governance principle	Explanation	Further reading
5	Maintain the Board as a well-functioning, balanced team led by the Chair	The Board has three established Committees for Audit, Remuneration and Disclosure. The composition and experience of the Board is reviewed regularly by the Board, with external advice being obtained where required. Given the size and composition of the Board, the Board does not consider that a Nominations Committee is required.	See pages 58-59
6	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	The Board is satisfied that its current composition includes an appropriate balance of skills, experience and capabilities, including experience of recruitment, people management, funding requirements and risk management. Following the departure of Richard King the Board has realigned the reporting arrangements of all operational directors to the Executive Directors to ensure the operational support is closely aligned with the client service side of the business.	See page 55
7	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	The Board regularly considers the effectiveness and relevance of its contributions, any learning and development needs and the level of scrutiny of the Senior Management Team but at this stage has considered that internal review is sufficient given the size of the Board. This will be kept under continuous review.	See pages 58-59
8	Promote a corporate culture that is based on ethical values and behaviours	Being a regulated law firm, the Group is focused on promoting a strong ethical corporate culture. The Board implements a policy of equal opportunities in the recruitment and engagement of employees during the course of their employment and recognises the importance of honest and open feedback at all times to facilitate the growth of individuals and teams within the business. The Group prides itself on its culture, and maintaining that culture through consistent engagement with its staff is integral to the Group's success. The Group achieves this consistent messaging in a number of ways, including day-to-day management of teams by Client Service Directors and the operational directors, regular meetings with partners, all staff meetings and calls as appropriate. This regular engagement ensures that all staff are fully informed about any key developments. The collaborative management structure encourages engagement at all levels.	See pages 24-33 and 36-37
9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	The Board is responsible for the Group's overall strategic direction and management and meets regularly to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals. The Group has a set of Reserved Matters for approval by the Board has been established and is regularly reviewed given the growth of the business.	See pages 58-59 and www.knightsplc.com/investors/corporate-governance
10	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The Group is committed to maintaining good communication and having constructive dialogue with its shareholders. Regular shareholder meetings are held with the Chief Executive Officer and Chief Financial Officer to discuss Company performance, particularly following publication of the Group's interim and full year results and any trading updates. In addition a range of corporate information (including copies of presentations and announcements, and an overview of the activities of the Group) is available on the Group's website.	www.knightsplc.com/investors

Corporate Governance Statement

Board Composition

The Board comprises five Directors, two of whom are Executive Directors and three of whom are Non-Executive Directors, reflecting a blend of different experiences and backgrounds, further details of which are set out on page 55. The Board believes that the composition of the Board brings a desirable range of skills and experience in light of the Group's challenges and opportunities as a public company, while at the same time ensuring that no individual (or small group of individuals) can dominate the Board's decision-making.

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

Operation of the Board

The Board is responsible for delivering the Group's strategy and for its overall management of the business and meets regularly to review, formulate and approve the Group's strategy, budgets, corporate actions and to constructively challenge the Executive Directors who are responsible for the day-to-day running of the Group.

The operation of the Board is documented in a formal schedule of matters reserved for its approval which is reviewed annually to ensure that it remains current in light of changes to legislation, the size and growth of the Group and changes within the sector that the Group operates within.

Directors are expected to attend all meetings of the Board and of the Committees on which they sit, and to devote sufficient time to enable them to fulfil their roles as Directors. In circumstances where Directors are unable to attend any meeting they are provided all papers to be considered at that meeting and can provide any comments in advance of any meeting for consideration by the rest of the Board. The table below details the Directors' attendance at scheduled monthly Board and Committee meetings in the financial year 2021/2022:

Name	Board	Remuneration	Audit
Balbinder Johal	8/10	2/4	–
David Beech	10/10	3/4	–
Jane Pateman	10/10	4/4	4/4
Kate Lewis	10/10	–	4/4
Richard King	9/10	–	–
Gillian Davies	10/10	4/4	4/4

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

In addition to the scheduled meetings the Board holds periodic strategy days to review the strategic priorities and growth opportunities for the business and there is regular communication between the Executive and Non-Executive Directors, including where appropriate updates on matters requiring attention prior to the next scheduled Board meeting. The Board's current practices also encourage the Non-Executive Directors to meet periodically without the Executive Directors.

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

Committees

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

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

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

Remuneration Committee

The Remuneration Committee is responsible for:

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

Audit Committee

The Audit Committee is responsible for:

- ensuring the financial performance of the Group is properly reported on; and
- monitoring the internal controls of the business.

Each of the Committees meets regularly and at least twice a year and the Chief Financial Officer also attends meetings of the Audit Committee by invitation to discuss any matters of relevance. Details of the reports of the Remuneration Committee and Audit Committee can be found on pages 60-61 and 62-64 respectively of this Report.

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

Board effectiveness and culture

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

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

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

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

Following the review undertaken in 2021/2022, it has been agreed that every other monthly Board meeting be held in person at one of the Group's offices to allow the Non-Executive Directors to meet with colleagues in the business. This will encourage greater engagement from the Board with colleagues and enable periodic Board updates from members of the leadership team.

The Board carries a breadth of experience in sectors outside of the legal services market with strengths aligned with enhancing Knights' culture. Following the evaluation undertaken during the financial year 2021/2022, the Board is satisfied that it has a good balance of experience and skills allowing for both collaborative working and robust challenge.

Internal controls and risk management

Internal controls

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

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

- proper business records are maintained and reported on, which might reasonably affect the conduct of the business;
- monitoring procedures for the performance of the Group and emerging risks to the business are presented to the Board at regular intervals;
- budget proposals are submitted to the Board no later than one month before the start of each financial year albeit budgets have had to be updated after the conclusion of the financial year to include the acquisition of Coffin Mew LLP which completed on 8 July 2022;
- accounting policies and practices suitable for the Group's activities are followed in preparing the financial statements;
- Group is provided with general accounting, administrative, secretarial services and external advice and audit as may reasonably be required.

The Group continues to review its system of internal control to ensure compliance with best practice, whilst also having regard to its size and the resources available. Details of the Group's principal risks and how these are addressed can be found on pages 48-53 of this Report.

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

Knights has an established business-continuity plan which has regular input from Legal, Compliance, IT, HR, Finance, Facilities, Public Relations and Client Services.

Relations with stakeholders

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

In order to achieve these aims, the Group's senior management teams maintain regular communications with colleagues and encourage them to share feedback and to allow the candid flexible culture to thrive. The level of communication with employees is ever increasing with Executive Directors hosting regular roadshows and the CEO holding several 'all employees' webinars and encouragement of regular communication within teams within the business.

The Group also encourages regular feedback from its clients and tracks its net promoter score to indicate the willingness of clients to recommend the Group's services. Based on most recent client responses the Group's net promoter score was +72 out of +100 which is considered above average amongst its peer group. The Group endeavours to ensure that clients are met with regularly to canvas their opinion on the service levels received and to allow them to provide any feedback as to how these relationships and/or services can be improved. The Group has a strong track record of retaining deep client relationships with some of these relationships remaining in place for in excess of 25 years across a number of service lines provided within the Group's business.

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

The Group continues to work hand in hand with its regulator, the Solicitors Regulation Authority ('SRA') and its complaints handling body, the Legal Ombudsman, in ensuring that it abides by its professional and regulatory duties and obligations in an open and transparent manner.

The Board is proud of the progress it has made in enhancing the sustainability of its operations. Jane Pateman is the Director on the Board with overall responsibility for Environmental, Social and Governance strategy. Further details of the steps that Knights has taken to ensure it can uphold these principles are detailed on pages 24-33 of this Report.

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

Annual General Meeting ('AGM')

The AGM of the Group will take place on the 27th September 2022 and the Notice of Annual General Meeting which includes the associated resolutions accompany this Annual Report.

Audit Committee Report

Gillian Davies
Senior Independent
Non-Executive Director

Dear Shareholder,

I am pleased to present the Audit Committee report for the year ended 30 April 2022.

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

Its role includes monitoring the integrity of the financial statements (including annual and interim accounts and results announcements), reviewing risk management and internal control systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by RSM UK Audit LLP ('RSM') and overseeing the relationship with them. In addition, the Committee has considered the impact of COVID-19 and the ongoing uncertainty in the macro economic environment particularly around Going Concern.

Gillian Davies
Chair of the Audit Committee

Members of the Audit Committee and attendance

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

The Committee met four times during the period and attendance of the members is shown on page 58 of the Corporate Governance Report. The Committee has also held discussions with RSM, without Executive Directors being present, to discuss any issues arising from their audit work. Neither the Group nor its Directors have any relationships that impair the external auditor's independence.

Duties

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

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

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

These judgements are as follows:

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

  Management use the expected outcomes as at the period end to establish the estimated value and compare to historic outcomes to ensure reasonableness. Estimates are updated as work progresses and any changes in revenue recognition as a result of a change in circumstances is recognised in the Statement of Comprehensive Income for that year.

  In relation to any contingent matters, where the likelihood of success is less than highly probable, the value recognised in contract assets is further reduced to reflect this uncertainty. The Committee considers that the approach adopted by management is prudent and minimises the risk of overstatement of income resulting in future revenue write-offs.

- **Accounting for acquisitions**
  During the year the Group made two acquisitions. Accounting for these acquisitions involves significant estimates to determine the allocation of purchase price, the treatment of deferred consideration, assessment of the requirement for any fair value adjustments, identification and valuation of the intangible assets arising, and estimation of the useful lives of these assets. Having reviewed management's approach and the resulting accounting treatment, the Committee is satisfied that the approach adopted is reasonable and fairly represents the underlying transactions.

- **Goodwill and intangible assets impairment**
  At the year end there is £82m recognised in the financial statements relating to goodwill and intangible assets from both current and prior year acquisitions. On an annual basis management need to satisfy themselves that the carrying value of the goodwill is supportable by future expected returns from the Group via a detailed impairment review at the period end and that there are no indications that the carrying value of the intangible assets has been impaired. Having reviewed management's impairment reviews and conclusions, the Committee is satisfied that the carrying value is supportable and the assets do not need to be impaired.

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

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

2 **Risk management and internal controls**
As described on pages 48-53 of the Strategic Report and page 59 of the Corporate Governance Statement, the Board has established a framework of risk management and internal control systems, policies and procedures. The Committee is responsible for reviewing the risk management and internal control framework, ensuring that it operates effectively. The Committee is satisfied that the internal controls currently in place are sufficient and operating effectively for a business of this size.

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

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

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

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

Having reviewed the forecasts, the Committee are satisfied that these support the business model and strategy of the business and demonstrate sufficient liquidity for the foreseeable future, and will recommend that the Board approves the Going Concern assumption.

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

During the year RSM provided accountancy and taxation services to the vendors of the acquired entities.

Post-acquisition these contracts have ended and no further prohibited services have been provided. The Committee is satisfied that the provision of these services to acquired entities has no impact on the independence of the audit team.

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

The external auditor prepares a plan for its audit of the full year financial statements which is presented to the Committee before the commencement of the audit.

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

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

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

7 **Application of IFRS's, and new and forthcoming standards**
There are no significant IFRS's yet to be adopted that the Committee expects to be relevant or have a significant impact on the financial statements.

8 **ESG and TCFD reporting**
The Group considers its responsibilities in respect of ESG and climate change to be an important focus and ensures strategic decisions are made in a way that considers the ESG strategy. The Committee will review the ESG and TCFD strategy and ensure that the current strategy and reporting is appropriate for the size of the Group.

Gillian Davies
Chair of the Audit Committee

11 July 2022

Remuneration Committee Report

Jane Pateman
Non-Executive Director

Dear Shareholder,

I am pleased to present the Directors' Remuneration Report for the year ended 30 April 2022.

The Remuneration Committee comprises me as Chair of the Committee and Gillian Davies who is the other current member of the Committee. We are both independent Non-Executive Directors.

Following the end of our financial year, the Remuneration Committee reviewed performance in the year and determined that no bonus will be paid to the Executive Directors for the financial year ended 30 April 2022.

The business has determined that a 5% increase in salary will generally apply for our staff for the coming financial year. A 4.5% increase has also been applied to the salary of the CFO, but the salary of the CEO has not been increased for the coming financial year.

Following the end of the financial year, the departure of Richard King was announced. Details of the remuneration aspects of his departure are set out later in this Report. The Remuneration Committee is satisfied that all of these treatments are compliant with its remuneration policy and terms of his service contract.

As a Committee, we are aware of the sensitivity relating to the award of SAYE share options in March 2022. Management and the Committee are considering a launch of a further SAYE scheme, to enable our employees to participate in a new offer at the prevailing share price, as soon as it is appropriate to do so.

Jane Pateman
Chair of the Remuneration Committee

Responsibilities

The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time. During the year this included the grant of performance share awards and restricted share awards to employees within the Group. In addition, all Group employees were invited to participate in the Save As You Earn ('SAYE') share option scheme for 2022. It is anticipated that all Group employees will be invited to participate in another SAYE share option scheme during 2023.

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

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

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

Our performance and link to remuneration

As summarised in the Chairman's Statement on pages 6-7, the Group continued to grow both organically and through targeted acquisitions over the year. As described in the Financial Review, although revenues grew by over 20%, PBT was down from 2021 levels.

An annual bonus arrangement was in place for the CEO, CFO and former COO, with a maximum opportunity of 75% of salary for the 30 April 2022 financial year.

The intention was for the bonus arrangements to be based on achievement of financial and non-financial measures set at the beginning of the financial year aligned to the key annual goals supporting the Group's strategy. However, the Committee felt that although some of the measures were satisfied, in the circumstances it would not be appropriate to pay a bonus. Therefore, no bonus awards have been made to the CEO, CFO or former COO in respect of the 30 April 2022 financial year.

Long-term incentives (Performance Share Awards) were granted to the CFO and former COO in July 2021 and are intended to be awarded annually to each of the Executive Directors, except for the CEO (due to his shareholding). The Performance Shares Awards are subject to a three year performance period with vesting dependent on EPS performance. The vesting of the July 2021 award is dependent on adjusted EPS performance in the financial year ending 30 April 2024, with 25% vesting for EPS of 26.20p, 60% vesting for EPS of 27.58p, and increasing to 100% vesting for EPS of 28.96p. A sliding scale operates between these points.

In addition, Restricted Stock Awards were made to key members of the leadership team during the year and all Group employees were invited to participate in the SAYE share option scheme for 2022.

Following the year end, it was announced that Richard King would step down from his role as Chief Operating Officer on 31 May 2022. The treatment of his remuneration is as follows:

- he will continue to receive salary, benefits and pension contributions in respect of his notice period;
- all of his unvested long-term incentive awards lapsed when he left the business; and
- he held no SAYE or SIP scheme awards.

Executive Director remuneration

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

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

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

David Beech: The CEO's salary will remain unchanged at £300,000 for the upcoming financial year.

Kate Lewis: The CFO's salary was increased by 4.5% (aligned with general increases for the workforce) to £230,000 with effect from 1 May 2022.

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

Annual bonus

The Remuneration Committee intends to agree a plan for each of the Executive Directors for the 30 April 2023 financial year, with a maximum opportunity of 100% of salary. The plan will be subject to performance criteria based on financial and strategic targets aligned to the business strategy as set by the Remuneration Committee. The bonus structure will consist of a mix of financial targets which support the Group's strategic objectives.

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

- **Restricted Stock Awards:** Awards granted in the form of nil or nominal cost share options, subject to time-based vesting requirements and continued employment within the Group. No performance conditions will apply to Restricted Stock Awards.
- **Performance Share Awards:** Awards granted in the form of nil or nominal cost share options, whereby vesting is subject to satisfaction of performance conditions and continued employment within the Group.

The intention is to grant a share award to the CFO during the 30 April 2023 financial year with a maximum opportunity of 75% of salary. Details of these EPS targets will be disclosed in our Directors' remuneration report for the year ending 30 April 2023.

Non-Executive Directors

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

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

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

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

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

Jane Pateman
Chair of the Remuneration Committee

11 July 2022

Remuneration Committee Report continued

Directors' emoluments

	Fees/ basic salary £'000	Benefits £'000	Bonus £'000	Gains on exercise of options £'000	LTIP £'000	Pension £'000	2022 Total £'000	2021 Total £'000
Executive Directors								
David Beech	300	–	–	–	–	–	300	212
Kate Lewis	220	–	–	913	–	7	1,140	189
Richard King[1]	220	2	–	–	–	7	229	210
Non-Executive Directors								
Balbinder Johal	60	–	–	–	–	–	60	51
Jane Pateman	40	–	–	–	–	–	40	34
Gillian Davies[2]	50	–	–	–	–	–	50	6
Steve Dolton[3]	–	–	–	–	–	–	–	37
Aggregate	890	2	–	913	–	14	1,819	739

Notes

1 Richard King resigned as a Director on 18 May 2022.

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

3 Steve Dolton was appointed a Non-Executive Director of the Group on 1 June 2018 and resigned on 17 March 2021.

Long-term incentives

	Type of award	Date of grant	Number of shares	Exercise price per share	Value at grant	Performance conditions	Vesting date
Kate Lewis	SIP	5 September 2018	2,831	N/A	£5,518	N/A	N/A
Kate Lewis	Performance Share Award	24 July 2020	30,667	£0.002	£131,000[1]	EPS[2]	July 2023
Kate Lewis	Performance Share Award	19 July 2021	50,114	£0.002	£220,000[5]	EPS[6]	July 2024
Richard King	Performance Share Award	29 March 2019	63,352	£0.002	£183,750[3]	EPS[4]	July 2022
Richard King[7]	Performance Share Award	24 July 2020	35,115	£0.002	£150,000[1]	EPS[2]	July 2023
Richard King[7]	Performance Share Award	19 July 2021	50,114	£0.002	£220,000[5]	EPS[6]	July 2024

Notes

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

2 3-year performance period with vesting dependent on adjusted EPS performance in financial year 30 April 2023 with 25% vesting for EPS of 24.19p and 60% vesting for EPS of 25.46p increasing to 100% vesting for EPS of 26.73p. A sliding scale operates between these points.

3 Based on 3-day average share price of £2.900482.

4 3-year performance period with vesting dependent on adjusted EPS performance in financial year 30 April 2022. 25% vesting for EPS of 20p and increasing on a straight-line basis to 100% vesting for EPS of 25p. These requirements were not achieved and the award has now lapsed.

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

6 3-year performance period with vesting dependent on adjusted EPS performance in financial year 30 April 2024 with 25% vesting for EPS of 26.20p and 60% vesting for EPS of 27.58p increasing to 100% vesting for EPS of 28.96p. A sliding scale operates between these points.

7 The 2020 and 2021 Performance Share Awards held by Richard King lapsed when Richard King left the Company on 31 May 2022.

Directors' Report

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

Kate Lewis
Chief Financial Officer

Principal activities and business review

The principal activity of the Group is that of the provision of legal and professional services. The principal activity of the Company is that of a holding company. The results for the year and the financial position of the Group are disclosed in the detailed financial statements included on pages 76-79. A review of the performance of the business during the year and potential future developments is included in the Chairman's Statement, Chief Executive's Review and the Financial Review.

Dividends

The Directors recommend a final dividend of 2.04p per ordinary share to be paid on 30 September 2022 to the ordinary shareholders on the register on 2 September 2022. This, together with the interim dividend of 1.46p per share paid on 17 March 2022, makes a total of 3.50p per share for the year. The final dividend has not been included within creditors as it was not approved before the end of the financial year.

Future developments

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

Post balance sheet events

On 18 May 2022 the Group exchanged contracts to acquire Coffin Mew LLP. The Group will acquire the LLP for a total consideration of £11.5m. The transaction completed on 8 July 2022 and all assets and liabilities of Coffin Mew LLP were hived into the Group on that date. There are no other significant Post Balance Sheets Events that require any further disclosure.

On 5th July 2022, contracts were exchanged in relation to the sale of HPL. The sale is expected to complete later in July 2022, subject to regulatory approval.

Directors and their Interest in the shares of the parent company

The following Directors have held office since 1 May 2021:

Name	Number of shares	%
DA Beech	16,800,000	20.32
KL Lewis	66,347	0.08
RA King (resigned 31 May 2022)	105,460	0.12
BS Johal	210,000	0.25
J Pateman	10,000	0.01
G Davies	10,000	0.01

Directors' Report continued

Substantial shareholdings

As far as the Directors are aware the only notifiable holdings equal to or in excess of 3% of the total issued share capital as at 30 April 2022 were as detailed below:

Name	Number of shares	%
David Beech	16,800,000	20.32
Octopus Investments	14,975,799	17.69
Columbia Threadneedle Investments	7,029,416	8.31
Jupiter Asset Management	6,348,957	7.50
Invesco	3,549,934	4.19
BGF	3,325,120	3.93

Directors' indemnity provisions

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

Risk management

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

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

Political donations

The Group has not made any political donations.

SECR

Under S414C (11) the Group has included the SECR report in the Strategic Report on page 33 as it is considered to be of strategic importance.

Disabled persons

The Group operates an equal opportunities employment policy.

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

Employee engagement

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

The Group prides itself on its culture, and maintaining that culture through consistent engagement with its staff is integral to the Group's success. The Group achieves this consistent messaging in a number of ways, including day-to-day management of teams by Client Service Directors and the operational directors, regular meetings with partners, all staff meetings and calls as appropriate. This regular engagement ensures that all staff are fully informed about any key developments and the strategic direction of the Group. This collaborative management structure encourages engagement at all levels.

Further information on how the Group liaises with employees and includes them in decision-making where relevant and encourages participation in share schemes to enable them to share in the success of the Group is included in the Corporate Sustainability Report on page 25.

Engaging with stakeholders

The Directors have considered who the key stakeholders in the business are and documented how they engage with each of these groups, noting any key decisions made during the year. Details of this are included within the S172(1) report on pages 34-35.

The Directors have chosen, in accordance with Section 414C(11) of the Companies Act 2006, to include information in respect of employee communication and consultation, engagement with suppliers, customers and other stakeholders in the Strategic Report.

Going concern

The Group and Company financial statements have been prepared on a going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group is strongly cash generative at the operating level and as at the end of the financial year had headroom of circa £30m within its current debt facilities. The Group's forecasts show that the Group has sufficient resources for both current and anticipated cash requirements. The Group remains profitable and operates within its current available banking facilities with no forecast breach of covenants for the foreseeable future.

Auditor

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

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

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

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

The Directors' Report was approved by the Board of Directors on 11 July 2022 and signed on its behalf by:

Kate Lewis
Chief Financial Officer

11 July 2022

Statement of Directors' Responsibilities

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

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

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

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

In preparing each of the Group and company financial statements, the Directors are required to:

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

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

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

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

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

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

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

Financial Statements

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Independent Auditor’s Report

to the Members of Knights Group Holdings plc

Opinion

We have audited the financial statements of Knights Group Holdings plc (the ‘parent company’) and its subsidiaries (the ‘Group’) for the year ended 30 April 2022 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 “Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the parent company’s affairs as at 30 April 2022 and of the Group’s loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Summary of our audit approach

Key audit matters	**Group** • Valuation and recoverability of amounts recoverable on contracts and impact on revenue recognition • Acquisition accounting, timing of obtaining control and valuation of intangibles assets acquired **Parent Company** • None identified
Materiality	**Group** • Overall materiality: £635,000 (2021: £771,000) • Performance materiality: £476,000 (2021: £578,000) **Parent Company** • Overall materiality: £423,000 (2021: £514,000) • Performance materiality: £317,000 (2021: £385,000)
Scope	Our audit procedures covered 97% of revenue, 100% of net assets and 98% of underlying profit before tax.

Key audit matters

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

Revenue recognition and contract assets	
Key audit matter description	The Group's accounting policy in respect of revenue recognition is set out in note 2.5. Note 4 sets out the critical judgements and estimates applied by the Directors in relation to the valuation of unbilled contingent fee agreements and of amounts recoverable on contract assets, which may have a material effect on the amount of revenue recognised in the period, and note 5 to the financial statements gives detail on revenue. There is a risk that revenue could be materially misstated due to recognising revenue in the wrong accounting period, or in the wrong amount. Revenue is materially impacted by changes in the contract assets balance, which is subject to management judgement about recovery rates and provisions. The Group has recognised revenue of £125.6 million in respect of fees billed and accrued in the year, which consists of a large number of relatively low value transactions. Due to the large volume of transactions in the year there is a risk that not all of the matters in the year have been appropriately billed. The Group's contract assets balance at the year end is £31.8 million (see note 23). The contract assets are valued on a line by line (case by case) basis using an estimated recovery rate at the period end. The process of valuing contract assets and, in particular, estimating recovery rates, is judgemental and therefore considered to be a key audit matter. It is also an area to which we applied significant audit time and resource.
How the matter was addressed in the audit	Our response to the key audit matter included: • assessing management's revenue recognition policy for fixed fee arrangements, unconditional fee-for-service arrangements, and variable or contingent fee arrangements for compliance with IFRS 15 – Revenue from contracts with customers • assessing the design and testing the operation of controls implemented by management over month and period end valuation of contract assets • performing analytical review of the relationships between fee earner numbers and salary costs compared to reported revenue and to prior financial years • using data analytics software to test the revenue recognised by ensuring that the revenue transaction cycle was completed through to cash receipt or inclusion in trade receivables • comparing the year end work in progress valuation and recovery rates to the prior year for each office and across departments (excluding those acquired in the year) • comparing the expected recovery rate in the prior year valuation of work in progress to the actual amounts recovered for a sample of fee earners during the year • reviewing a sample of contract assets balances at period end and discussing the nature of the case and the anticipated recovery rates with management and individual fee earners • for the same sample, checking any billing or provisions following the period end to support the reported recovery rate • period-end cut off testing to ensure that contract assets and revenue had been recognised in the correct accounting period • reviewing the monthly chargeable hours recorded during the period and in the month immediately after the period end to determine whether there were any unexplained fluctuations in recorded hours • agreeing the recoverability of the balance of unbilled revenue to post year end billing and cash receipts and, where billing has not yet occurred, challenging fee-earners about the expected recovery, confirming unbilled revenue is recorded in the correct period and at the correct amount and is supported by time costs incurred.

Independent Auditor's Report continued

to the Members of Knights Group Holdings plc

Acquisition accounting and valuation of intangibles assets acquired	
Key audit matter description	During the year the Group made three acquisitions involving aggregate consideration of £10.4 million, including deferred consideration of £3.6 million as set out in note 21. The Group also completed an acquisition on which contracts had been exchanged on 30 April 2021, and which was included in the financial statements for the year ended 30 April 2021. There are significant intangible assets arising as a result of each acquisition, including goodwill of £5.8 million and customer relationships of £2.4 million (note 20). The determination and allocation of the purchase price, the identification and valuation of the intangible assets arising, and the useful lives of these assets, particularly the customer relationships, involve the exercise of a significant degree of management judgement and is therefore considered to be a key audit matter. Additionally, the date on which control is obtained in each acquisition is a key judgement in assessing the acquisition date (see note 4). The details of acquisitions made in the year are set out in note 21. Notes 2.4 (business combinations), 2.7 (goodwill) and 2.8 (intangible assets other than goodwill) set out the accounting policies in respect of business combinations and note 20 to the financial statements summarises the intangible assets added through acquisitions in the year.
How the matter was addressed in the audit	Our response to the key audit matter included: • obtaining copies of the acquisition agreements for each acquisition and considering which party has control, the percentage acquired, the consideration offered and details of any deferred and/or contingent consideration • reviewing the details of clauses in the heads of terms and the sale and purchase agreements for each acquisition to determine the date on which control passes, and hence determining the date of acquisition i.e. the date control was obtained • agreeing the amounts of consideration to cash amounts paid and the share consideration to share certificates issued and the market price in the period immediately prior to issue • confirming that the accounting treatment applied for each transaction is in accordance with relevant accounting standards • reviewing and challenging the appropriateness of the assumptions used in the fair value calculations to value the customer relationships and agreeing these to supporting evidence, including the growth rate, customer attrition rate and discount rate applied • considering whether there are any other intangible assets which should be recognised as part of the fair value exercise • reviewing the useful life applied to customer lists and comparing this to historic client retention rates in the acquired businesses • confirming that the disclosures made in respect of each acquisition are in accordance with the relevant standard.

We did not identify any key audit matters in respect of the parent company.

Our application of materiality

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

	Group	Parent company
Overall materiality	£635,000 (2021: £771,000)	£423,000 (2021: £514,000)
Basis for determining overall materiality	3.5% of underlying profit before tax	0.5% of net assets
Rationale for benchmark applied	A key metric used by management and shareholders in assessing performance of the Group is underlying profit before tax, as disclosed in note 37. This is a change from the benchmark used in prior years of underlying EBITDA, which is no longer used by management as the main key performance indicator.	The parent company does not trade; its function is to hold investments in the Group's trading entities. As a result, the benchmark for this entity is net assets.
Performance materiality	£476,000 (2021: £578,000)	£317,000 (2021: £385,500)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £32,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £21,100 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The Group consists of four components, all of which are based in the UK.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Net assets	Underlying EBITDA
Full scope audit	3	97%	100%	98%
Analytical procedures at Group level	1	3%	0%	2%
Total	4	100%	100%	100%

No component auditors were involved in our work.

Other information

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

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

We have nothing to report in this regard.

Independent Auditor's Report continued

to the Members of Knights Group Holdings plc

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 67, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

The most significant laws and regulations were determined as follows:

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

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

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

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

Use of our report

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

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

Festival Way
Stoke on Trent
Staffordshire
ST1 5BB

11 July 2022

Consolidated Statement of Comprehensive Income

For the year ended 30 April 2022

	Note	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Revenue	5	**125,604**	103,201
Other operating income	7	**1,270**	1,310
Staff costs	8	**(76,863)**	(62,707)
Depreciation and amortisation charges	11	**(10,778)**	(7,730)
Impairment of trade receivables and contract assets		**(498)**	(223)
Other operating charges	12	**(22,077)**	(16,173)
Operating profit before non-underlying charges		**16,658**	17,678
Non-underlying operating costs	13	**(13,260)**	(10,288)
Operating profit		**3,398**	7,390
Finance costs	14	**(2,364)**	(1,881)
Finance income	15	**22**	–
Profit before tax		**1,056**	5,509
Taxation	17	**(1,840)**	(2,107)
Impact of change in tax rate on deferred tax charge	17	**(1,747)**	–
(Loss)/profit and total comprehensive income for the year attributable to equity owners of the parent		**(2,531)**	3,402

Earnings per share		**Pence**	**Pence**
Basic earnings per share	18	**(3.02)**	4.14
Diluted earnings per share	18	**(3.02)**	4.09

Consolidated Statement of Financial Position

As at 30 April 2022

	Note	30 April 2022 £'000	30 April 2021 £'000
Assets			
Non-current assets			
Intangible assets and goodwill	20	**82,172**	79,523
Property, plant and equipment	22	**10,240**	9,538
Right-of-use assets	22	**40,663**	40,406
Finance lease receivables	26	**1,091**	–
		134,166	129,467
Current assets			
Contract assets	23	**31,777**	28,530
Trade and other receivables	24	**32,309**	31,521
Finance lease receivables	26	**76**	–
Corporation tax asset		**1,815**	–
Cash and cash equivalents		**4,097**	4,783
Assets held for resale	27	**1,195**	–
		71,269	64,834
Total assets		**205,435**	194,301
Equity and liabilities			
Equity			
Share capital	25	**169**	165
Share premium		**74,264**	68,369
Merger reserve		**(3,536)**	(3,536)
Retained earnings		**14,762**	17,691
Equity attributable to owners of the parent		**85,659**	82,689
Non-current liabilities			
Lease liabilities	28	**41,183**	39,020
Borrowings	29	**32,798**	23,650
Deferred consideration	30	**2,421**	–
Deferred tax	31	**8,332**	5,655
Provisions	33	**4,331**	2,998
		89,065	71,323
Current liabilities			
Lease liabilities	28	**5,345**	3,620
Borrowings	29	**355**	414
Trade and other payables	32	**21,362**	32,303
Deferred consideration	30	**1,210**	1,095
Contract liabilities	23	**237**	216
Corporation tax liability		**–**	765
Provisions	33	**1,772**	1,876
Liabilities held for resale	27	**430**	–
		30,711	40,289
Total liabilities		**119,776**	111,612
Total equity and liabilities		**205,435**	194,301

The financial statements were approved by the board and authorised for issue on 11 July 2022 and are signed on its behalf by:

K Lewis

Kate Lewis
Director

Consolidated Statement of Changes in Equity

For the year ended 30 April 2022

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
As at 1 May 2020		164	66,252	(3,536)	13,070	75,950
Profit for the period and total comprehensive income		–	–	–	3,402	3,402
Transactions with owners in their capacity as owners:						
Credit to equity for equity-settled share-based payments	9	–	–	–	1,219	1,219
Issue of shares	25	1	2,117	–	–	2,118
Balance at 30 April 2021		**165**	**68,369**	**(3,536)**	**17,691**	**82,689**
Loss for the period and total comprehensive income		**–**	**–**	**–**	**(2,531)**	**(2,531)**
Transactions with owners in their capacity as owners:						
Credit to equity for equity-settled share-based payments	9	**–**	**–**	**–**	**835**	**835**
Issue of shares	25	**4**	**5,895**	**–**	**–**	**5,899**
Dividends	19	**–**	**–**	**–**	**(1,233)**	**(1,233)**
Balance at 30 April 2022		**169**	**74,264**	**(3,536)**	**14,762**	**85,659**

Consolidated Statement of Cash Flows

For the year ended 30 April 2022

	Note	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Operating activities			
Cash generated from operations	35	**25,060**	20,378
Non-underlying operating costs paid	13	**(3,691)**	(4,268)
Interest received		**274**	461
Tax paid		**(4,095)**	(2,125)
Contingent acquisition payments		**(5,383)**	(5,597)
Net cash from operating activities		**12,165**	8,849
Investing activities			
Acquisition of subsidiaries (net of cash acquired)	21	**(6,801)**	(1,195)
Purchase of intangible fixed assets	20	**(62)**	(196)
Purchase of property, plant and equipment	22	**(2,526)**	(4,356)
Proceeds from sale of property, plant and equipment		**–**	6
Proceeds from lease receivables		**30**	–
Landlord capital contribution		**146**	2,265
Associated lease costs		**(23)**	(289)
Payment of deferred and contingent consideration		**(1,095)**	(3,171)
Net cash used in investing activities		**(10,331)**	(6,936)
Financing activities			
Proceeds of borrowings		**47,350**	19,000
Repayment of borrowings		**(38,600)**	(24,000)
Proceeds from exercise of share options		**798**	–
Repayment of debt acquired with subsidiaries	21	**(2,903)**	(2,387)
Repayment of lease liabilities		**(3,890)**	(2,564)
Interest and other finance costs paid		**(2,060)**	(1,772)
Dividends paid		**(1,233)**	–
Net cash used in financing activities		**(538)**	(11,723)
Net increase/(decrease) in cash and cash equivalents		**1,296**	(9,810)
Cash and cash equivalents at the beginning of the period (net of overdraft £nil (2021:£1,852,000))		**2,931**	12,741
Cash – continuing operations		**4,097**	2,931
Cash – assets held for resale (note 27)		**130**	–
Cash and cash equivalents at end of period (net of overdraft £nil (2021:£1,852,000))		**4,227**	2,931

Notes to the Consolidated Financial Statements

For the year ended 30 April 2022

1. General Information

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

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

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

The Brampton
Newcastle-under-Lyme
Staffordshire
ST5 0QW

2. Accounting policies

2.1 Basis of preparation

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

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

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

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

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

2.2 Going concern

The accounts are prepared on a going concern basis as, at the time of approving the financial statements, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. The Group was cash generative for FY22 and is forecast to continue to be so. The Group has banking facilities of £60,000,000 available until October 2024. The Group's forecasts show sufficient cash generation and headroom in banking facilities and covenants by comparison to anticipated future requirements to support the Directors' conclusion that the assumption of the going concern basis of accounting in preparing the financial statements is appropriate.

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

2.3 Basis of consolidation

The consolidated financial statements incorporate the results of Knights Group Holdings plc and all of its subsidiaries. Subsidiaries results are consolidated in the financial statements from the date of exchange of the sale and purchase agreement, at which time control is obtained until the date that control ceases.

Subsidiaries

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

Transactions eliminated on consolidation

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

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

Audit exemption of subsidiaries

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

Name	Registered number
BrookStreet Des Roches LLP	OC317863
Dakeyne Emms Gilmore Liberson Limited	06850969
ERT Law Limited	09182964
Shulmans LLP	OC348166
ASB Law LLP	OC351354
ASB Aspire Limited Liability Partnership	OC327667
OTB Eveling LLP	OC371214
Mundays LLP	OC313856
K & S Trust Corporation Limited	02885753
Keebles LLP	OC351421
Archers Law Limited Liability Partnership	OC306705
Langleys Solicitors LLP	OC361149
Langleys Law Firm Limited	07500419
Home Property Lawyers Limited	09356408

The outstanding liabilities at 30 April 2022 of the above named subsidiaries have been guaranteed by the Company pursuant to s479A to s479C of the Act. In the opinion of the directors, the possibility of the guarantee being called upon is remote since the trade, assets and majority of liabilities of these subsidiaries were transferred to Knights Professional Services Limited before 30 April 2022.

2.4 Business combinations

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

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

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

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

Contingent consideration is classified as a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

2.5 Revenue

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

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

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

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

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

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

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2022

2. Accounting policies continued

2.5 Revenue continued

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

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

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

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

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

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

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

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

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

2.6 Taxation

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

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

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

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

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

2.7 Intangible assets – Goodwill

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

2.8 Intangible assets – Other than goodwill

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

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

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

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

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

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

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

Restrictive covenants are amortised over the remaining length of covenant.

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

2.9 Property, plant and equipment

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

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

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

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

2.10 Impairment of non-current assets

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

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

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

2.11 Professional indemnity provisions

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

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

2.12 Leases

Group as lessee

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2022

2. Accounting policies continued

2.12 Leases continued

Group as lessee continued

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

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

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

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

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

Group as lessor

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

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

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

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

2.13 Retirement benefits

2.13a Defined contribution scheme

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

2.13b Defined benefit pension scheme

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

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

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

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

2.14 Share Based Payments

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

2.15 Financial instruments

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

Financial assets

Contract assets and trade and other receivables

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

Impairment of financial assets

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

Financial liabilities and equity

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

Trade and other payables

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

Deferred consideration

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

Borrowings

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

Derecognition of financial assets and liabilities

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

3. Accounting developments

New and amended IFRSs that are effective for the future

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

Revised IFRS	Effective date
Amendments to IFRS3 Business Combinations; IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	1 January 2022
IFRS 17: Insurance contracts	1 January 2023
Amendments to IAS 1, Practice statement 2 and IAS 8	1 January 2023
Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-current and Classification of Liabilities as Current or Non-current	1 January 2024

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

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2022

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical accounting judgements

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

Amounts recoverable on contracts – contingent fee arrangements

A level of judgement is required to determine the likelihood of success of a given matter for contingent fee arrangements. This is determined on a contract-by-contract basis after considering the relevant facts and circumstances surrounding each matter. The valuation exercise is conducted by experienced professionals with detailed understanding of the individual matters. The carrying value of contingent fee arrangements at 30 April 2022 was £7,804,000 (2021: £5,781,000).

IFRS 16

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

Business combinations

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

Alternative performance measurements (APMs)

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

Key sources of estimation uncertainty

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

IFRS 16

The Group makes estimates of the cost of restoring leased assets to their original condition when required to do so under the terms and conditions of the lease. Those estimates are based on the current condition of the leased assets and past experience of restoration costs. As at 30 April 2022 the Group had total provisions of £4,462,000 (2021: £3,999,000) (see note 33).

Amounts recoverable on contract assets– recoverable amounts

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

This percentage represents management's best estimate of future value following a line by line review of the matters by professionals. The estimation process takes into account the progress of the case at the reporting date, the estimated eventual fee payable by the client and the amount of time which will be incurred in bringing the matter to a successful conclusion. The amount recognised in AROC at the year end was £31,777,000 (2021: £28,530,000), a 3% change in the estimated recovery of all matters would impact the profit for the period by approximately £1,245,000 (2021: £982,000).

Accounting for business combinations and valuation of acquired intangibles

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

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

The total carrying value of acquired intangibles (excluding brands) is £25,122,000 (2021: £26,544,000). In order to assess the impact of the key assumptions on the values disclosed in the Financial Statements the Directors have applied the following sensitivities to the acquisitions in the current year:

Key assumption	Rate applied in the financial statements	Sensitivity tested	Annual profit impact £'000	Value of intangible assets £'000
Long-term growth rate	2%	0%	5	(6)
WACC and IRR	10.0% – 10.3%[1]	Increase by 5%	61	(59)
Length of customer relationships	3.5 – 7 years	Increase of 5 years	(175)	345

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

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

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

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

Intangible Assets – carrying amount of goodwill – impairment review

The Directors undertake an annual impairment review of goodwill to assess whether the carrying value of £51.8 million is still supported by using a discounted cash flow model to derive the value in use of the cash generating unit ('CGU'). Cash flow forecasts are derived from the most recent financial budgets approved by management for the next three years and extrapolated using a terminal value calculation.

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

Revenue growth over the three years of the forecast period reflects, for FY23, the current run rate of revenue from the Group's existing business and a full year of revenue from acquisitions made during the year ended 30 April 2022, with an element of organic growth in FY24 and FY25. The long-term growth rate of 2% (2021: 2%) is based on UK economic growth forecasts for the legal services market.

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

5. Revenue

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

The transaction price allocated to unsatisfied performance obligations of contracts at 30 April 2022 is not required to be disclosed because it is comprised of contracts that are expected to have a duration of one year or less.

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

6. Segmental reporting

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

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

7. Other operating income

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Other income	**996**	912
Bank interest	**274**	398
	1,270	1,310

Notes to the Consolidated Financial Statements continued
For the year ended 30 April 2022

8. Staff costs

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

	Year ended 30 April 2022 Number	Year ended 30 April 2021 Number
Fee earners	**1,080**	933
Other employees	**268**	230
	1,348	1,163

Their aggregate remuneration comprised:

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Wages and salaries	**67,923**	54,927
Social security costs	**7,123**	5,603
Other pension costs	**2,324**	1,848
Share based payment charge	**835**	1,219
Other employment costs	**1,159**	1,169
Aggregate remuneration of employees	**79,364**	64,766
Redundancy costs and share based payment charges analysed as non-underlying costs (note 13)	**(2,501)**	(2,059)
Underlying staff costs in Statement of Comprehensive Income	**76,863**	62,707

Directors' remuneration
Companies Act disclosures

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

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Salaries, fees, bonuses and benefits in kind	**892**	729
Gains on exercise of options	**913**	-
Money purchase pension contributions	**14**	10
	1,819	739

The number of directors to whom benefits are accruing under money purchase pension schemes is 2 (2021: 2).

The remuneration of the highest paid director was:

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Salaries, fees, bonuses, benefits in kind and share based payments gains on exercise of options	**1,140**	212

9. Share-based payments

The Group issues equity-settled share-based payments to its employees. The Group recognised total expenses of £835,000 (2021: £1,219,000) relating to equity-settled share-based payment transactions in the year. £414,000 (2021: £619,000) is recognised within staff costs and £421,000 (2021: £600,000) in non-underlying costs.

Any charges relating to schemes introduced as one-off schemes as part of the listing on AIM in 2018 are included in non-underlying costs because the directors view these schemes as a reward to employees for their past performance prior to the IPO and on acquisitions. Additionally, in the current year there has been £260,000 of charges in respect of employees leaving a share scheme but remaining with the business. One off accelerated charges required under IFRS 2 due to employees leaving the scheme, as a result of COVID or the reduction in 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. All charges relating to other recurring LTIP or SAYE schemes are included as a normal operating expense.

The following schemes were in place during the period:

Omnibus Plan

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

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

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

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

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

	Restricted stock awards		Performance share awards	
	Number	Weighted average exercise price Pence	Number	Weighted average exercise price Pence
Outstanding at 1 May 2020	575,398	0.2	206,214	0.2
Granted during the period	85,322	0.2	77,410	0.2
Forfeited during the period	(15,278)	0.2	(39,814)	–
Exercised during the period	(59,119)	0.2	–	–
Outstanding at 30 April 2021	586,323	0.2	243,810	0.2
Exercisable at 30 April 2021	69,934	0.2	–	–
Granted during the period	265,300	0.2	100,228	0.2
Dividend equivalents awarded	2,137	0.2	–	–
Forfeited during the period	(37,395)	0.2	–	–
Exercised during the period	(354,954)	0.2	–	–
Outstanding at 30 April 2022	**461,411**	**0.2**	**344,038**	**0.2**
Exercisable at 30 April 2022	**166,652**	**0.2**	**–**	**–**

The options outstanding at 30 April 2022 had a weighted average exercise price of 0.2p and a weighted average remaining contractual life of 1.52 years. The average share price for options exercised during the year was 382.4p.

During the year 265,300 options were granted as restricted stock awards. In addition, 100,228 of performance share awards were granted. The maximum term of any award is three years.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2022

9. Share-based payments continued

Omnibus Plan continued

The aggregate of the estimated fair values of the options granted on these dates is £1,574,000. The model used is based on intrinsic values and the inputs are as follows:

Date Granted	Number of Shares	Fair Value	Share Price	Exercise Price	Expected Life	Type of award
5 July 2021	50,000	205,900	412p	0.2p	2.8 years	Restricted stock
13 July 2021	145,000	644,960	445p	0.2p	3.0 years	Restricted stock
1 September 2021	18,292	74,778	409p	0.2p	1.0 years	Restricted stock
21 September 2021	4,722	20,295	430p	0.2p	1.0 years	Restricted stock
15 October 2021	10,000	42,380	424p	0.2p	2.8 years	Restricted stock
1 November 2021	12,428	48,444	390p	0.2p	1.0 years	Restricted stock
1 November 2021	12,429	48,448	390p	0.2p	2.0 years	Restricted stock
1 November 2021	12,429	48,448	390p	0.2p	3.0 years	Restricted stock
19 July 2021	100,228	440,803	440p	0.2p	3.0 years	Performance share

Share Incentive Plan ('SIP')

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

	Partnership Shares Number	Matching Shares Number
Outstanding at 1 May 2020	181,524	363,049
Withdrawn during the period	(16,485)	–
Forfeited during the period	–	(32,970)
Outstanding at 30 April 2021	165,039	330,079
Unrestricted at 30 April 2021	–	–
Withdrawn during the period	(40,694)	–
Forfeited during the period	–	(81,388)
Outstanding at 30 April 2022	**124,345**	**248,691**
Unrestricted at 30 April 2022	**124,345**	**248,691**

Sharesave Scheme ('SAYE')

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

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

	SAYE options	
	Number	Weighted average exercise price Pence
Outstanding at 1 May 2020	1,360,189	251
Forfeited during the period	(104,557)	350
Exercised during the period	(16,678)	164
Outstanding at 30 April 2021	1,238,954	244
Exercisable at 30 April 2021	–	–
Granted during the period	1,430,251	296
Forfeited during the period	(311,248)	342
Exercised during the period	(491,530)	161
Outstanding at 30 April 2022	**1,866,427**	**289**
Exercisable at 30 April 2022	**209,829**	**162**

The options outstanding at 30 April 2022 had a weighted average exercise price of 289p and a weighted average remaining contractual life of 2.41 years. The average share price for options exercised during the year was 370.4p.

November 2018 scheme

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

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

The November 2018 scheme matured on 1 February 2022, the number of shares exercised in respect of this scheme as at 30 April 2022 is 489,037. There are 209,829 shares which remain exercisable.

February 2020 scheme

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

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

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2022

9. Share-based payments continued

March 2022 Scheme

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

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

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

10. Retirement benefit schemes

The Group operates a defined contribution pension scheme for employees. The total cost charged to income of £2,324,000 (2021: £1,848,000) represents contributions payable to the scheme by the Group. As at 30 April 2022, contributions of £892,000 (2021: £439,000) due in respect of the reporting period had not been paid over to the schemes.

The defined benefit impact is discussed in note 39. There were no charges against income in the year ended 30 April 2022.

11. Depreciation and amortisation charges

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Depreciation	**2,027**	1,309
Depreciation on right-of-use assets	**4,799**	3,684
Amortisation	**3,936**	2,704
Loss on disposal of property, plant and equipment	**16**	33
	10,778	7,730

Depreciation of £nil (2021: £43,000) is included in non-underlying operating costs.

12. Other operating charges

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Establishment costs	**5,633**	4,140
Short term and low value lease costs	**187**	291
Other overhead expenses	**16,257**	11,742
	22,077	16,173

13. Non-underlying operating costs

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Redundancy and reorganisation costs	**2,080**	1,459
Transaction costs	**988**	1,245
Onerous short life asset leases	**472**	132
Impairment of right-of-use assets	**2,065**	635
Loss on disposal of intangible assets and property, plant and equipment	**967**	284
Share based payment charges	**421**	600
Contingent consideration treated as remuneration	**6,267**	5,933
	13,260	10,288

Non-underlying costs cash movement

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Non-underlying operating costs	**13,260**	10,288
Adjustments for:		
Contingent consideration shown separately	**(6,267)**	(5,933)
Non cash movements:		
Share based payment charge	**(421)**	(600)
Impairment of right of use assets	**(2,065)**	–
Loss on disposal of property, plant and equipment	**(967)**	(284)
Onerous leases	**(97)**	(302)
Accrual	**248**	1,099
	3,691	4,268

Non-underlying costs relate to redundancy costs to streamline the support function of the Group following acquisitions, transaction costs in respect of acquisitions, onerous lease costs in respect of acquisitions, disposals of acquired assets and share based payment charges relating to one off share schemes offered to employees as part of the IPO and on acquisitions. Any one off accelerated charges required under IFRS 2 due to employees leaving the scheme, as a result of COVID or the 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. FY21 also included some costs relating to reorganisation actions taken in response to the impact of COVID-19.

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

14. Finance costs

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Interest on borrowings	**952**	704
Interest on leases	**1,412**	1,177
	2,364	1,881

Notes to the Consolidated Financial Statements continued
For the year ended 30 April 2022

15. Finance income

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Lease interest receivable	**22**	–

16. Auditor's remuneration

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Fees payable to the parent company's auditor and their associates for the audit of the parent company's annual accounts	**36**	29
Fees payable to the auditor and their associates for other services to the Group:		
– The audit of the Company's subsidiaries	**126**	113
Total audit fees	**162**	142
– Audit-related assurance services	**19**	16
Total non-audit fees	**19**	16

17. Taxation

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Corporation tax:		
Current year	**1,574**	2,852
Adjustments in respect of prior years	**(96)**	(247)
	1,478	2,605
Deferred tax:		
Origination and reversal of temporary differences	**362**	(498)
Effect of change in tax rates	**1,747**	–
	2,109	(498)
Tax expense for the year	**3,587**	2,107

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

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Profit before tax	**1,056**	5,509
Tax at the UK corporation tax rate of 19% (2021: 19%)	**201**	1,047
Expenses that are not deductible in determining taxable profit	**2,296**	1,748
Accelerated capital allowances	**(561)**	(441)
Effect of change in tax rates	**1,747**	–
Adjustment in respect of prior years	**(96)**	(247)
Tax expense for the year	**3,587**	2,107
Consisting of:		
Underlying tax charge	**1,840**	2,107
One off deferred tax charge	**1,747**	–

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

	Year ended 30 April 2022			Year ended 30 April 2021		
	Total £'000	Underlying £'000	Non-Underlying £'000	Total £'000	Underlying £'000	Non-Underlying £'000
Profit before tax	**1,056**	**18,131**	**(17,075)**	5,509	18,419	(12,910)
Tax expense	**1,840**	**3,709**	**(1,869)**	2,107	3,379	(1,272)
Effective rate of tax	**174%**	**20%**	**11%**	38%	18%	10%
Change in tax rate	**1,747**	**136**	**1,611**	–	–	–
Effective rate of tax (post change in tax rate)	**340%**	**21%**	**2%**	38%	18%	10%

On 24 May 2021, the increase in corporation tax from 19% to 25% from 1 April 2023 was substantively enacted for tax accounting purposes. At the reporting date, the effect of the new rate on the Group's tax charge has been applied to the deferred tax assets and liabilities where the differences will not reverse until after 1 April 2023. The impact of changing the tax rate from 19% to 25% on the associated assets and liabilities is outlined in the below table:

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

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

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2022

18. Earnings per share

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

	Year ended 30 April 2022 Number	Year ended 30 April 2021 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**83,717,952**	82,189,113
Effect of dilutive potential ordinary shares:		
Share options	**409,640**	1,021,132
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**84,127,592**	83,210,245

	£'000	£'000
(Loss)/profit after tax	**(2,531)**	3,402

Earnings per share	Pence	Pence
Basic earnings per share	**(3.02)**	4.14
Diluted earnings per share	**(3.02)**	4.09

As the Group has incurred a loss after tax for the year, the options are non-dilutive and basic and diluted earnings per share are the same.

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

19. Dividends

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 30 April 2022 of 1.46p per share (2021: 0p per share)	**1,233**	–
	1,233	–

For the year ended 30 April 2022 the Board have proposed a final dividend of 2.04p per share (2021: 0p per share). The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the register of members on 2 September 2022. The payment of this dividend will not have any tax consequences for the Group.

20. Intangible assets and goodwill

	Goodwill £'000	Brand £'000	Customer relationships and restrictive covenants £'000	Purchased computer software £'000	Total £'000
Cost					
As at 1 May 2020	39,678	5,401	26,475	372	71,926
Acquisitions of subsidiaries	7,435	–	3,702	–	11,137
Measurement period adjustments in respect of 2020 acquisitions	544	–	118	9	671
Additions	–	–	1,097	196	1,293
As at 30 April 2021	47,657	5,401	31,392	577	85,027
Acquisitions of subsidiaries	5,771	–	2,386	527	8,684
Adjustments	(1,666)	–	(47)	–	(1,713)
Additions	–	–	–	62	62
Disposals	–	–	–	(449)	(449)
Reclassification of assets held for sale	–	–	–	(114)	(114)
As at 30 April 2022	51,762	5,401	33,731	603	91,497
Amortisation and impairment					
As at 1 May 2020	–	270	2,280	241	2,791
Adjustments	–	–	–	9	9
Amortisation charge	–	54	2,568	82	2,704
As at 30 April 2021	–	324	4,848	332	5,504
Amortisation charge	–	54	3,761	121	3,936
Eliminated on disposal	–	–	–	(112)	(112)
Reclassification of assets held for sale	–	–	–	(3)	(3)
As at 30 April 2022	–	378	8,609	338	9,325
Carrying amount					
At 30 April 2022	**51,762**	**5,023**	**25,122**	**265**	**82,172**
At 30 April 2021	47,657	5,077	26,544	245	79,523
At 30 April 2020	39,678	5,131	24,195	131	69,135

As noted in the prior year accounts, the initial accounting for the business combination which occurred at the end of the prior year was not complete. During the current year further information has come to light about estimated provisions and debt items which existed at the acquisition date.

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

The carrying amount of goodwill of £51,762,000 (2021: £47,657,000) has been allocated to the single cash generating unit (CGU) present in the business, which is the provision of legal and professional services.

The recoverable amount of the Group's goodwill has been determined by a value in use calculation using a discounted cash flow model. The Group has prepared cash flow forecasts derived from the most recent financial budgets approved by management for the next three years after which cash flows are extrapolated using a terminal value calculation based on an estimated growth rate of 2% (2021: 2%). This rate does not exceed the expected average long-term growth rate for the UK legal services market.

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

The rate used to discount the forecast cash flows is based on a pre tax estimated weighted average cost of capital of 12.4% (2021: 15.1%).

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2022

20. Intangible assets and goodwill continued

Revenue growth over the three years of the forecast period reflects, for FY23, the current run rate of revenue from the Group's existing business and a full year of revenue from acquisitions made during the year ended 30 April 2022, and an element of organic growth in FY24 and FY25 through continued recruitment and increases in chargeable hours and recovered rates. The long-term growth rate is based on UK economic growth forecasts for the legal services market.

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

21. Acquisitions

Acquisitions summary

During the year the Group has completed three acquisitions (Langleys Solicitors LLP and Home Property Lawyers Limited being in the same acquired group) and also completed the acquisition of Keebles LLP (which was accounted for in the year ended 30 April 2021). The table below summarises the consideration paid and the net cash flow arising on all acquisitions in the period:

	Total £'000
Total identifiable assets less liabilities acquired	4,652
Goodwill	5,771
Total consideration	10,423
Satisfied by:	
Cash	5,192
Equity instruments (395,060 ordinary shares of Knights Group Holdings plc)	1,600
Deferred consideration arrangement	3,631
Total consideration transferred	10,423
Net cash outflows arising on acquisition:	
Cash consideration net of cash acquired	4,071
Net investing cash outflow arising on acquisition	4,071
Repayment of debt acquired	**2,454**
Net financing cash outflow arising on acquisition	**2,454**

Details for the individual acquisitions are included on the following pages.

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

The Group exchanged contracts to acquire Keebles on 30 April 2021, by purchasing the controlling membership interests of the entity. Economic benefit was obtained from 30 April 2021. This acquisition completed on 11 June 2021. As a result the cashflow timings for the payment of initial consideration and repayment of debt in relation to the Keebles acquisition occurred in the current year.

The table below provides a reconciliation to the cashflow statement for cashflows relating to acquisitions.

£'000	**Acquisitions in the year ended 30 April 2022**	**Keebles cashflows on completion**	**Total acquisitions cashflows in the year ended 30 April 2022**
Net cash outflows arising on acquisition:			
Cash consideration net of cash acquired	4,071	2,730	6,801
Net investing cash outflow arising on acquisition	4,071	2,730	6,801
Repayment of debt acquired on acquisition	2,454	-	2,454
Repayment of debt acquired post acquisition	35	414	449
Net financing cash outflow arising on acquisition	2,489	414	2,903

Archers Law Limited Liability Partnership ('Archers')

On 1 November 2021, the Group exchanged contracts to acquire Archers by purchasing the controlling membership interests of the entity. This acquisition completed on 29 November 2021. Archers is a law firm which will strengthen Knights' presence in the North East region.

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

	Carrying amount £'000	Fair value adjustment £'000	Total £'000
Identifiable assets			
Identifiable intangible assets	–	671	671
Property, plant and equipment	108	–	108
Right-of-use assets	–	1,065	1,065
Contract assets	588	–	588
Trade and other receivables (net of £228,000 loss allowance provision)	377	(3)	374
Cash and cash equivalents	912	–	912
Liabilities			
Trade and other payables	(420)	(20)	(440)
Lease liabilities	–	(1,065)	(1,065)
Borrowings	(247)	(2)	(249)
Provisions	–	(250)	(250)
Deferred tax	–	(127)	(127)
Total identifiable assets and liabilities	**1,318**	**269**	**1,587**
Goodwill			2,349
Total consideration			**3,936**

Satisfied by:	
Cash	2,336
Equity instruments (395,060 Ordinary Shares of Knights Group Holdings plc)	1,600
Total consideration transferred	**3,936**

Net cash outflow arising on acquisition:	
Cash consideration (net of cash acquired)	1,424
Repayment of debt	218
Net cash outflow arising on acquisition	**1,642**

The goodwill of £2,349,000 arising from the acquisition represents the assembled workforce. None of the goodwill is expected to be deductible for income tax purposes.

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

A contingent consideration arrangement was entered into as part of the acquisition. This is contingent on the sellers remaining in employment by the Group so it has been excluded from the consideration and will be recognised in the Consolidated Statement of Comprehensive Income on a straight-line basis over the three year post acquisition period. The maximum undiscounted amount of all potential future payments under the contingent consideration arrangement is £1,500,000 and is payable in equal instalments on the first, second and third anniversary of completion.

Archers contributed £2,180,000 of revenue to the Group's Consolidated Statement of Comprehensive Income for the period from 1 November 2021 to 30 April 2022. The profit contributed is not separately identifiable due to the hive-up of its trade and assets being incorporated into Knights Professional Services Limited from 29 November 2021.

If the acquisition occurred at the beginning of the year Archers would have contributed £4,272,000 of revenue to the Group. Profit is not separately identifiable due to the full integration on hive up.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2022

21. Acquisitions continued

Langleys Solicitors LLP ('Langleys')

On 31 January 2022, the Group exchanged contracts to acquire Langleys by purchasing the controlling membership interests of the entity. This acquisition completed on 25 March 2022. Langleys is a law firm which will strengthen Knights' presence in York and provide access into the Lincoln market.

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

	Carrying amount £'000	Fair value adjustment £'000	Total £'000
Identifiable assets			
Identifiable intangible assets	1,104	847	1,951
Property, plant and equipment	741	–	741
Right-of-use assets	–	4,159	4,159
Contract assets	2,651	–	2,651
Trade and other receivables (net of £199,000 loss allowance provision)	1,818	–	1,818
Cash and cash equivalents	37	–	37
Liabilities			
Trade and other payables	(2,324)	432	(1,892)
Lease liabilities	–	(3,630)	(3,630)
Borrowings	(2,415)	(575)	(2,990)
Provisions	–	(409)	(409)
Deferred tax	–	(293)	(293)
Total identifiable assets and liabilities	**1,612**	**531**	**2,143**
Goodwill			3,344
Total consideration			**5,487**

Satisfied by:	
Cash	1,856
Deferred consideration arrangement	3,631
Total consideration transferred	**5,487**

Net cash outflow arising on acquisition:	
Cash consideration (net of cash acquired)	1,819
Repayment of debt	2,236
Net cash outflow arising on acquisition	**4,055**

The goodwill of £3,344,000 arising from the acquisition represents the assembled workforce. None of the goodwill is expected to be deductible for income tax purposes.

A contingent consideration arrangement was entered into as part of the acquisition. This is contingent on the sellers remaining in employment by the Group so it has been excluded from the consideration and will be recognised in the Consolidated Statement of Comprehensive Income on a straight-line basis over the three year post acquisition period. The maximum undiscounted amount of all potential future payments under the contingent consideration arrangement is £2,619,000 and is payable in equal instalments on the first, second and third anniversary of completion.

There are also deferred consideration payments totalling £3,631,000 outstanding. This is payable in instalments on the first, second and third anniversaries of completion.

Langleys contributed £2,546,000 of revenue to the Group's Consolidated Statement of Comprehensive Income for the period from 1 February 2022 to 30 April 2022. The profit contributed is not separately identifiable due to the hive-up of its trade and assets being incorporated into Knights Professional Services Limited from 25 March 2022.

If the acquisition occurred at the beginning of the year Langleys would have contributed £9,444,000 of revenue to the Group. Profit is not separately identifiable due to the full integration on hive up.

Home Property Lawyers Limited ('HPL')

On 31 January 2022, the Group exchanged contracts to acquire HPL, through the agreement to purchase the shares of the entity. This acquisition completed on 25 March 2022. HPL was purchased as part of the Langleys acquisition, this entity provides volume conveyancing services.

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

	Carrying amount £'000	Fair value adjustment £'000	Total £'000
Identifiable assets			
Identifiable intangible assets	114	177	291
Contract assets	492	–	492
Trade and other receivables (net of £12,000 loss allowance provision)	446	(94)	352
Cash and cash equivalents	172	–	172
Liabilities			
Trade and other payables	(363)	68	(295)
Provisions	–	(19)	(19)
Corporation tax	(100)	63	(37)
Deferred tax	–	(34)	(34)
Total identifiable assets and liabilities	**761**	**161**	**922**
Goodwill			78
Total consideration			**1,000**

Satisfied by:	
Cash	1,000
Total consideration transferred	**1,000**

Net cash outflow arising on acquisition:	
Cash consideration (net of cash acquired)	828
Repayment of debt	–
Net cash outflow arising on acquisition	**828**

The goodwill of £78,000 arising from the acquisition represents the assembled workforce. None of the goodwill is expected to be deductible for income tax purposes.

HPL contributed £1,111,000 of revenue to the Group's Consolidated Statement of Comprehensive Income for the period from 1 February 2022 to 30 April 2022. HPL contributed £57,000 profit to the Group in the period 31 January 2022 to 30 April 2022.

If the acquisition occurred at the beginning of the year HPL would have contributed £4,489,000 of revenue to the Group. Profit is not separately identifiable due to a lack of management information available.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2022

22. Property, plant and equipment

	Expenditure on short leasehold property £'000	Office equipment £'000	Furniture and fittings £'000	Right-of-use assets £'000	Total £'000
Cost					
As at 1 May 2020	3,501	3,430	995	25,744	33,670
Acquisitions of subsidiaries	566	493	183	4,615	5,857
Additions	3,350	1,005	1	16,385	20,741
Disposals	(160)	(20)	(149)	(154)	(483)
Impairment	–	–	–	(739)	(739)
Alignment	618	(452)	11	–	177
As at 30 April 2021	7,875	4,456	1,041	45,851	59,223
Acquisitions of subsidiaries	**543**	**224**	**82**	**5,224**	**6,073**
Additions	**1,292**	**1,176**	**58**	**3,144**	**5,670**
Disposals	**(1,358)**	**(216)**	**(113)**	**(1,482)**	**(3,169)**
Alignment	**5**	**53**	**4**	**–**	**62**
As at 30 April 2022	**8,357**	**5,693**	**1,072**	**52,737**	**67,859**
Depreciation and impairment					
As at 1 May 2020	656	1,440	268	1,995	4,359
Depreciation charge	446	761	102	3,727	5,036
Eliminated on disposal	(25)	(3)	(24)	(84)	(136)
Impairment	–	–	–	(193)	(193)
Alignment	616	(416)	13	–	213
As at 30 April 2021	1,693	1,782	359	5,445	9,279
Depreciation charge	**787**	**1,132**	**108**	**4,799**	**6,826**
Impairment	**–**	**–**	**–**	**2,065**	**2,065**
Eliminated on disposal	**(860)**	**(155)**	**(24)**	**(235)**	**(1,274)**
Alignment	**(1)**	**60**	**1**	**–**	**60**
As at 30 April 2022	**1,619**	**2,819**	**444**	**12,074**	**16,956**
Carrying amount					
At 30 April 2022	**6,738**	**2,874**	**628**	**40,663**	**50,903**
At 30 April 2021	6,182	2,674	682	40,406	49,944
At 30 April 2020	2,845	1,990	727	23,749	29,311

Depreciation of £nil (2021: £43,000) and net impairment of £2,065,000 (2021: £546,000) due to leases being classified as onerous is included in non-underlying operating costs.

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

23. Contract assets and liabilities

	Contract assets £'000	Trade receivables £'000	Contract liabilities £'000
As at 30 April 2022	**31,777**	**26,643**	**(237)**
As at 30 April 2021	28,530	25,951	(216)
As at 1 May 2020	21,507	22,450	(177)

The movement during the year is not separately identifiable.

Contract assets

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

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

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

If the liability of a matter has been admitted and performance obligations satisfied, such that it is no longer contingent, these matters are valued based on the expected recoverable amount. Due to the complex nature of these matters, they can take a considerable time to be finalised therefore performance obligations may be settled in one period but the matter not billed until a later financial period. The amount of contingent fee work in progress at 30 April 2022 was £7,804,000 (2021: £5,781,000).

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

During the year, contract assets of £3,731,000 (2021: £4,196,000) were acquired in business combinations.

An impairment loss of £41,000 has been recognised in relation to contract assets in the year (2021: £30,000). This is based on the expected credit loss under IFRS 9 of these types of assets. The contract asset loss is estimated at 0.2% (2021: 0.2%) of the balance.

Trade receivables

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

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

Contract liabilities

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

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24. Trade and other receivables

	30 April 2022 £'000	30 April 2021 £'000
Trade receivables	**27,908**	26,953
Impairment provision – trade receivables	**(1,265)**	(1,002)
Prepayments and other receivables	**5,666**	5,570
	32,309	31,521

Trade receivables

The average credit period taken on sales is 31 days as at 30 April 2022 (2021: 36 days). No interest is charged on trade receivables. The Group uses appropriate methods to recover all balances once overdue. Once the expectation of recovery is deemed remote a debt may be written off.

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

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

	2022			2021		
30 April 2022	**Gross carrying amount £'000**	**Expected credit losses £'000**	**Expected credit loss rate %**	**Gross carrying amount £'000**	**Expected credit losses £'000**	**Expected credit loss rate %**
Not past due	**14,553**	**52**	**0.36**	12,925	27	0.21
31-60 days past due	**3,077**	**14**	**0.45**	3,958	9	0.22
61-90 days past due	**1,231**	**4**	**0.34**	1,362	3	0.24
91-120 days past due	**496**	**11**	**2.29**	827	10	1.17
>120 days past due	**2,861**	**854**	**29.88**	2,696	625	23.20
12 month ECL £'000	**22,218**	**935**	**4.21**	21,768	674	3.10

In addition to the above on trade receivables a further £330,000 (2021: £328,000) impairment loss has been recognised against disbursement balances. This is based on 100% impairment against all disbursements with no activity on the matter for over 12 months and 0.2% against the remainder of the balance based upon the expected credit loss of this type of asset.

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

	2022 £'000	2021 £'000
Balance at 1 May	**1,002**	553
Increase in loss allowance recognised in profit and loss during the year	**1,200**	1,165
Receivables written off during the year as uncollectable	**(937)**	(716)
Balance at 30 April	**1,265**	1,002

25. Share capital

	Ordinary shares	
	Number	£'000
As at 1 May 2020	82,076,332	164
Changes during the period		
Ordinary shares of 0.2p each issued in respect of exercised share options	75,798	–
Ordinary shares of 0.2p each issued in respect of exercised share options equivalent to dividend entitlement	418	–
Ordinary shares of 0.2p each issued as consideration in the purchase of subsidiaries	454,244	1
At 30 April 2021 (allotted, called up and fully paid)	82,606,792	165
Changes during the period		
Ordinary shares of 0.2p each issued in respect of exercised share options	844,347	2
Ordinary shares of 0.2p each issued in respect of exercised share options equivalent to dividend entitlement	2,137	–
Ordinary shares of 0.2p each issued as consideration in the purchase of subsidiaries	1,187,050	2
At 30 April 2022 (allotted, called up and fully paid)	**84,640,326**	**169**

Included in the consideration is the purchase of subsidiaries is 791,990 shares in respect of the purchase of Keebles LLP. The remaining amount is for the purchase of Archers Law LLP (see note 21).

26. Finance lease receivable

The group sub-leases a floor in an office building that was an acquired lease in previous periods. The group has classified the sub-lease as a finance lease because the sub-lease is for the whole of the remaining term of the head lease.

Finance lease receivable	30 April 2022 £'000	30 April 2021 £'000
More than one year	**1,091**	–
Less than one year	**76**	–
	1,167	–

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

	30 April 2022 £'000	30 April 2021 £'000
Less than one year	**137**	–
One to five years	**986**	–
More than five years	**164**	–
Unearned finance income	**(120)**	–
	1,167	–

Total lease payments received for the year ended 30 April 2022 was £30,000 (2021: £nil).

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For the year ended 30 April 2022

27. Disposal of subsidiary held for sale

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

Following a period of internal review, in April 2022, management committed to a plan to sell HPL. Accordingly, all assets and liabilities are presented as a disposal of subsidiary held for sale. Efforts to sell HPL have started and on 5 July 2022, the Group exchanged contracts to dispose of HPL, subject to regulatory approval. Completion is expected later in July 2022.

No fair value gains or losses have been recognised on reclassification as fair values of assets and liabilities are deemed to be equal to the carrying value at the period end.

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

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

Assets held for sale do not include £69,765 due from other group entities which have been eliminated on consolidation.

28. Lease liabilities

Incremental borrowing rates applied to individual leases ranged between 1.68% and 6.30%.

The table below sets out the Consolidated Statement of Financial Position as at 30 April 2022 and 30 April 2021:

	30 April 2022 £'000	30 April 2021 £'000
Right-of-use assets		
Property	**39,691**	39,420
Equipment	**972**	986
	40,663	40,406
Lease liability		
More than one year	**41,183**	39,020
Less than one year	**5,345**	3,620
	46,528	42,640

Right of use assets include additions of £7,452,000 (2021: £20,768,000) for property and £916,000 (2021: £232,000) for equipment. There is also depreciation of £4,397,000 (2021: £3,398,000) for property and £402,000 (2021: £329,000) for equipment.

The table below shows lease liabilities maturity analysis – contractual undiscounted cash flows at 30 April 2022:

	30 April 2022			30 April 2021		
	Property £'000	Equipment £'000	Total £'000	Property £'000	Equipment £'000	Total £'000
Less than one year	**6,213**	**496**	**6,709**	4,594	349	4,943
One to five years	**21,313**	**506**	**21,819**	18,313	709	19,022
More than five years	**22,701**	**1**	**22,702**	24,834	–	24,834
	50,227	**1,003**	**51,230**	47,741	1,058	48,799
Less unaccrued future interest	**(4,663)**	**(39)**	**(4,702)**	(6,025)	(134)	(6,159)
	45,564	**964**	**46,528**	41,716	924	42,640

The table below shows amounts recognised in the Consolidated Statement of Comprehensive Income for short term and low value leases as at 30 April 2022:

	30 April 2022			30 April 2021		
	Property £'000	Equipment £'000	Total £'000	Property £'000	Equipment £'000	Total £'000
Expenses relating to short – term leases	**146**	**41**	**187**	244	47	291

For right-of-use asset depreciation and lease interest charges on leases see note 11 and 14. Total lease payments, including for short term and low value leases, for the year ended 30 April 2022 were £5,488,000 (2021: £4,340,000).

29. Borrowings

	30 April 2022 £'000	30 April 2021 £'000
Secured borrowings at amortised cost:		
Bank loans	**32,400**	24,064
Other loans	**753**	–
Total borrowings	**33,153**	24,064
Amount due for settlement within 12 months	**355**	414
Amount due for settlement after 12 months	**32,798**	23,650

The above excludes lease liabilities.

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

The Group has a credit facility of £60,000,000 in total (2021: £40,000,000). The facility remains available until 29 October 2024.

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

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2022

30. Deferred consideration

	30 April 2022 £'000	30 April 2021 £'000
Non-current liabilities		
Deferred consideration	**2,421**	–
Current liabilities		
Deferred consideration	**1,210**	1,095

Deferred consideration as at 30 April 2022 relates to the acquisition of Langleys Solicitors LLP and is not contingent.

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

31. Deferred tax

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

	Accelerated capital allowances £'000	Intangible assets £'000	Share-based payments £'000	IFRS 16 £'000	Total £'000
As at 1 May 2020	396	5,547	(207)	(307)	5,429
Acquisitions of subsidiaries	–	704	–	–	704
Charge/(credit) for the year	148	(411)	(242)	27	(478)
As at 30 April 2021	544	5,840	(449)	(280)	5,655
Acquisitions of subsidiaries	–	454	–	–	454
Adjustments	125	(11)			114
Effect of change in tax rate	244	1,611	(37)	(71)	1,747
Charge/(credit) for the year	479	(112)	(33)	28	362
As at 30 April 2022	**1,392**	**7,782**	**(519)**	**(323)**	**8,332**

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

	30 April 2022 £'000	30 April 2021 £'000
Deferred tax assets	**(842)**	(729)
Deferred tax liabilities	**9,174**	6,384
	8,332	5,655

32. Trade and other payables

	30 April 2022 £'000	30 April 2021 £'000
Bank overdraft	–	1,852
Trade payables	**4,664**	3,715
Other taxation and social security	**7,370**	6,564
Other payables	**1,978**	2,293
Accrued consideration	–	8,310
Accruals	**7,350**	9,569
	21,362	32,303

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 26 days (2021: 26 days). No interest is charged on the trade payables.

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

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

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

33. Provisions

	Dilapidation provision £'000	Onerous contract provision £'000	Professional indemnity provision £'000	Total £'000
As at 1 May 2020	1,548	–	598	2,146
Acquisitions of subsidiaries	768	–	296	1,064
Additional provision in the year	1,828	133	195	2,156
Utilisation of provision	(145)	(127)	(220)	(492)
As at 30 April 2021	**3,999**	**6**	**869**	**4,874**
Acquisitions of subsidiaries	507	–	171	678
Additional provision in the year	289	448	550	1,287
Utilisation of provision	(333)	(28)	(375)	(736)
As at 30 April 2022	**4,462**	**426**	**1,215**	**6,103**
Consisting of:				
Non-current liabilities	**3,998**	**333**	**–**	**4,331**
Current liabilities	**464**	**93**	**1,215**	**1,772**

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

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

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

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2022

34. Financial instruments

Categories of financial instruments

	30 April 2022 £'000	30 April 2021 £'000
Financial assets		
Amortised cost		
Contract assets	**31,777**	28,530
Trade and other receivables (excluding prepayments)	**26,919**	26,421
Lease receivable	**1,167**	–
Cash and cash equivalents	**4,097**	4,783
Financial liabilities		
Amortised cost		
Borrowings	**33,153**	24,064
Bank overdraft	**–**	1,852
Deferred consideration	**3,631**	1,095
Trade and other payables	**13,992**	23,887
Leases	**46,528**	42,640

Financial risk management objectives

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

Market risk

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

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

Interest rate risk management

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

Interest rate sensitivity analysis

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

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's profit for the year ended 30 April 2022 would decrease/increase by £166,000 (2021: decrease/increase by £120,000). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

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

Credit risk management

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

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

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the financial charges on its debt instruments and repayments of principal. There is a risk that the Group will encounter difficulty in meeting its financial obligations as they fall due or not meet its required covenants. The Group manages this risk and its cash flow requirements through detailed annual, monthly and daily cash flow forecasts. These forecasts are reviewed regularly to ensure that the Group has sufficient working capital to enable it to meet all of its short-term and long-term cash flow needs. In addition, during the year the Group extended its facility to £60,000,000.

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

Contractual maturities of financial liabilities

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

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

The Group has met its covenant tests during the year.

For lease maturity see note 28.

Capital management

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

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

Gearing ratio

The gearing ratio at the year end is as follows:

	30 April 2022 £'000	30 April 2021 £'000
Borrowings (note 29)	**33,153**	24,064
Cash and cash equivalents	**(4,097)**	(4,783)
Asset held for sale (note 27)	**(130)**	–
Bank overdraft	**–**	1,852
Net debt	**28,926**	21,133
Equity	**85,659**	82,689
	%	%
Net debt to equity ratio	**34**	26

Significant accounting policies

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

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2022

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

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Profit before taxation	**1,056**	5,509
Adjustments for:		
Amortisation	**3,936**	2,704
Depreciation – property, plant and equipment	**2,027**	1,309
Depreciation – right-of-use assets (net of £nil (2021: £43,000) included in non-underlying costs)	**4,799**	3,684
Loss on disposal of (net of £967,000 (2021: £284,000) included in non-underlying costs)	**16**	33
Contingent consideration expense	**6,267**	5,933
Non-underlying operating costs	**6,572**	3,755
Share based payments	**835**	1,387
Interest income	**(296)**	(398)
Interest expense	**2,364**	1,881
Operating cash flows before movements in working capital	**27,576**	25,797
Decrease/(increase) in contract assets	**628**	(2,827)
Decrease/(increase) in trade and other receivables	**570**	(135)
Increase/(decrease) in provisions	**469**	(263)
Increase in contract liabilities	**21**	39
Decrease in trade and other payables	**(4,204)**	(2,233)
Cash generated from operations	**25,060**	20,378

36. Changes in liabilities arising from financing activities

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

	Borrowings £'000	Leases £'000
As at 1 May 2020	28,650	23,844
New borrowings and leases	19,000	16,763
Acquired	2,801	4,657
Interest (net of £22,000 included in non-underlying)	704	1,177
Interest paid	(573)	(1,199)
Non cash movement	(131)	22
Disposals	–	(60)
Repayments (net of £308,000 included in non-underlying)	(26,387)	(2,564)
As at 1 May 2021	24,064	42,640
New	47,350	3,083
Acquired	3,239	4,695
Interest (net of £25,000 included in non-underlying)	952	1,412
Interest paid	(648)	(1,412)
Non cash movement	(301)	–
Repayments (net of £296,000 included in non-underlying)	(41,503)	(3,890)
As at 30 April 2022	**33,153**	**46,528**

37. Alternative performance measures

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

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

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

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

a. Underlying EBITDA

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

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Operating profit	**3,398**	7,390
Depreciation and amortisation charges (note 11)	**10,778**	7,730
Non-underlying costs (note 13)	**13,260**	10,288
Underlying EBITDA	**27,436**	25,408

b. Underlying profit before tax (PBT)

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

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Profit before tax	**1,056**	5,509
Amortisation (adjusted for amortisation on computer software)	**3,815**	2,622
Non-underlying costs (note 13)	**13,260**	10,288
Underlying profit before tax	**18,131**	18,419

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

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

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
(Loss)/profit after tax	**(2,531)**	3,402
Effect of change in deferred tax rate	**1,747**	–
Amortisation (adjusted for amortisation on computer software)	**3,815**	2,622
Non-underlying operating costs (note 13)	**13,260**	10,288
Tax in respect of the above	**(1,869)**	(1,272)
Underlying profit after tax	**14,422**	15,040

Underlying earnings per share	**Pence**	**Pence**
Basic underlying earnings per share	**17.23**	18.30
Diluted underlying earnings per share	**17.14**	18.07

Tax has been calculated at the corporation tax rate of 19% (2021: 19%) and deferred tax rate of 25% (2021: 19%).

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2022

37. Alternative performance measures continued

d. Free cash flow and cash conversion %

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

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Cash generated from operations (note 35)	**25,060**	20,378
Tax paid	**(4,095)**	(2,125)
Total cash outflow for IFRS16 leases	**(5,302)**	(3,741)
Free cashflow	**15,663**	14,512
Underlying profit after tax	**14,422**	15,040
Cash conversion (%)	**109%**	96%

e. Net debt

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

	30 April 2022 £'000	30 April 2021 £'000
Borrowings (note 29)	**33,153**	24,064
Cash and cash equivalents	**(4,097)**	(4,783)
Asset held for sale (note 27)	**(130)**	–
Bank overdraft	**–**	1,852
Net debt	**28,926**	21,133

38. Capital commitments

As at 30 April 2022 there is a capital commitment of £72,000 (2021: £71,000) in relation to an ongoing office refurbishment.

39. Defined benefit pension schemes

The Stonehams Pension Scheme

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

The Scheme was acquired as part of the acquisition of ASB Law where contracts were exchanged on 5 March 2020. Therefore, the disclosures below represent the period of ownership from 5 March 2020 to 30 April 2022. The scheme is closed and provides benefits for 43 legacy employees (now pensioners and deferred members).

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

The most recent comprehensive actuarial valuation of the Scheme was carried out as at 31 December 2018. The results of that valuation were updated to 30 April 2022 allowing for cashflows in and out of the Scheme and changes to assumptions over the period. An actuarial valuation as at 31 December 2021 is currently underway, but has not been finalised as at the date of these accounts.

From January 2020 the Employer started to make annual contributions of £35,000 per annum towards administration expenses. No change in this is expected for the next financial year. Administration expenses from 1 November 2017 to 31 December 2019 have been met directly from the assets of the Scheme. The Group will separately meet the cost of the PPF levy.

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

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high-quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently assets are invested in a variety of funds, which will reduce volatility. The investment approach is reviewed every three years as part of the valuation process.
Interest risk	There is some hedging in the asset portfolio, but at a low level. A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability. The average duration of the Scheme's obligations is 16 years.

Actuarial assumptions

Principal actuarial assumptions

	30 April 2022 %	30 April 2021 %
Discount rate	**3.05**	1.83
Retail Prices Index ("RPI") Inflation	**4.00**	3.53
Consumer Price Index ("CPI") Inflation	**3.30**	2.83
Pension increase (LPI 5%)	**3.72**	3.36
Pension increase (LPI 2.5%)	**2.34**	2.24
Post retirement mortality	**90%/100% (m/f) S2PA CMI_2020 projections (with standard smoothing parameter of 7.5) using a long-term improvement rate of 1.0% pa**	90%/100% (m/f) S2PA CMI_2020 projections (with standard smoothing parameter of 7.5) using a long-term improvement rate of 1.0% pa
Commutation	**80% of members are assumed to take the maximum tax free cash possible using current commutation factors**	80% of members are assumed to take the maximum tax free cash possible using current commutation factors
Life expectancy at age 65 of male aged 45	**22.6**	22.6
Life expectancy at age 65 of male aged 65	**24.2**	24.1
Life expectancy at age 65 of female aged 45	**23.6**	23.5
Life expectancy at age 65 of female aged 65	**25.3**	25.3

The average duration of the Scheme's obligations is 16 years.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2022

39. Defined benefit pension schemes continued

The current asset split is as follows:

	Asset allocation at 30 April 2022	Asset allocation at 30 April 2021
Equities and growth assets	**70%**	78%
Bonds, LDI and cash	**30%**	22%

	Value as at 30 April 2022 £'000	Value as at 30 April 2021 £'000
Fair value of assets	**3,047**	3,255
Present value of funded obligations	**(2,355)**	(2,791)
Surplus in scheme	**692**	464
Deferred tax	**–**	–
Net defined benefit surplus after deferred tax	**692**	464

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

	Value as at 30 April 2022 £'000	Value as at 30 April 2021 £'000
Low risk investment funds	**625**	720
Credit Investment funds	**1,513**	1,673
Matching funds	**–**	691
Cash	**909**	171
Fair value of assets	**3,047**	3,255

	30 April 2022 £'000	30 April 2021 £'000
Administration costs	**28**	29
Net interest on liabilities	**(8)**	(10)
Total charge to the Statement of Comprehensive Income	**20**	19

Remeasurements over the period since acquisition

	30 April 2022 £'000	30 April 2021 £'000
Loss on assets in excess of interest	**(115)**	(17)
Gain/(loss) on scheme obligation from assumptions and experience	**361**	(157)
Gain on scheme obligations due to scheme experience	**2**	5
Total remeasurements	**248**	(169)

The change in value of assets

	30 April 2022 £'000	30 April 2021 £'000
Fair value of assets bought forward	**3,255**	3,384
Interest on assets	**58**	50
Benefits paid	**(123)**	(133)
Administration costs	**(28)**	(29)
Loss on assets in excess of interest	**(115)**	(17)
Fair value of assets carried forward	**3,047**	3,255
Actual return on assets	**(57)**	33

Change in value of liabilities

	30 April 2022 £'000	30 April 2021 £'000
Value of liabilities bought forward	**2,791**	2,732
Interest cost	**50**	40
Benefits paid	**(123)**	(133)
Actuarial gain	**(363)**	152
Value of liabilities carried forward	**2,355**	2,791

Sensitivity of the value placed on the liabilities

Approximate effect on liability

	30 April 2022 £'000	30 April 2021 £'000
Discount rate		
Minus 0.50%	**191**	229
Inflation		
Plus 0.50%	**139**	164
Life Expectancy		
Plus 1.0 years	**102**	113

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

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

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2022

39. Defined benefit pension schemes continued

The With Profits Section of the Cheviot pension

Allocation of liabilities between employers

The With Profits Section was acquired as part of the acquisition of ASB Law where contracts were exchanged on 5 March 2020 and the transaction completed on 17 April 2020.

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

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

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

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

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

Estimated funding position as at 30 April:

	Scheme funding basis	
	30 April 2022 £'000	**30 April 2021 £'000**
Total assets	**80,100**	92,200
Total liabilities excluding expenses	**(78,500)**	(88,600)
Surplus	**1,600**	3,600
Funding level	**102%**	104%

Allocation to the Group

The estimated share of the Scheme liabilities is 0.790%.

Over the year to 30 April 2022, the Section's funding position remained as a small surplus.

	30 April 2022 £'000	**30 April 2021 £'000**
Estimated cost of providing benefits	**(620)**	(700)
Value of assets	**633**	728
Resulting surplus	**13**	28
Funding level	**102%**	104%

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

The Trustee continues to monitor the funding position.

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

40. Related party transactions

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

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

The Group leases a property from KPV Propco Ltd. During the year rents of £376,000 (2021: £376,000) were charged by KPV Propco Ltd to the Group. A FRI lease of The Brampton, Newcastle-under-Lyme was granted for a term of 25 years from and including 24 July 2017 to 24 July 2039 at a current rent of £376,000 per annum (excluding VAT).

The Group received a contribution for repair work in the year from KPV Propco Ltd of £nil (2021: £26,000). These repairs relate to the building and site and were therefore paid by KPV Propco Ltd.

During the year Knights Professional Services Limited charged KPV Propco Ltd for professional services totalling £1,000 (2021: £126,000).

At 30 April 2022, there was an amount of £55,000 owed by the Group to KPV Propco Ltd (2021: £3,000 owed to KPV Propco Ltd by the Group).

During the year Knights Professional Services Limited provided legal services to the Directors in an individual capacity of £77,000 (2021: £154,000). At 30 April 2022, there was an amount of £nil (2021: £1,000) owed to the Group from the Directore.

Remuneration of key management personnel

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

	Year ended 30 April 2022 £'000	**Year ended 30 April 2021 £'000**
Short-term employee benefits and social security costs	**1,424**	1,193
Gains on exercise of options	**913**	–
Pension costs	**25**	22
Share-based payments	**(132)**	209
	2,230	1,424

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

Transactions with Directors

Dividends totalling £250,000 (2021: £nil) were paid in the year in respect of ordinary shares held by the Company's directors.

41. Post balance sheet events

On 19 May 2022 the Group exchanged contracts to acquire 100% of the voting rights of Coffin Mew LLP, an independent law firm based primarily in Portsmouth with offices in Southampton, Brighton and Newbury. Total consideration payable is £11.5million subject to working capital adjustments at the time of completion. This comprises £5.5m cash, £1 million of new ordinary shares in the Group, along with deferred cash consideration of £5 million to be paid over three years. The acquisition of Coffin Mew provides Knights with entry into new markets and adds scale to the Group's existing service offerings. The transaction completed on 8 July 2022 and the assets and liabilities of Coffin Mew LLP were hived up into Knights Professional Services Limited.

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

In its unaudited accounts for the year ended 31 March 2022, Coffin Mew reported revenue of £11.3m with a corporatised PBT margin of circa 8%. Following full integration and realisation of all synergies, the Board expect Coffin Mew to contribute a PBT margin of circa 16% which, combined with a typical level of revenue churn post-acquisition, means the acquisition is expected to be immediately earnings enhancing.

On 5 July 2022, contracts were exchanged in relation to the sale of HPL. The sale is expected to complete later in July 2022 subject to regulatory approval.

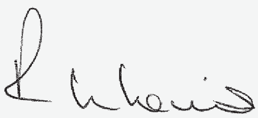
Company Statement of Financial Position

As at 30 April 2022

	Note	30 April 2022 £'000	30 April 2021 £'000
Assets			
Non-current assets			
Investments in subsidiaries	45	**2,267**	2,363
Amounts receivable from subsidiaries	46	**80,665**	73,210
		82,932	75,573
Current assets			
Trade and other receivables		**25**	31
Total assets		**82,957**	75,604
Equity and liabilities			
Equity			
Share capital		**169**	165
Share premium		**74,264**	68,369
Share based payment reserve		**3,199**	2,364
Other reserve		**(100)**	(100)
Retained earnings		**5,217**	4,315
Equity attributable to owners of the Company		**82,749**	75,113
Current liabilities			
Trade and other payables		**76**	81
Corporation tax liability		**132**	410
Total liabilities		**208**	491
Total equity and liabilities		**82,957**	75,604

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own Statement of Comprehensive Income. The Company reported a profit for the year ended 30 April 2022 of £2,135,000 (2021: £1,750,000).

The financial statements were approved by the Board and authorised for issue on 11 July 2022 and are signed on its behalf by:



Kate Lewis
Director
Registered No. 11290101

Company Statement of Changes in Equity

For the year ended 30 April 2022

	Share capital £'000	Share premium £'000	Share based payments £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 May 2020	164	66,252	1,145	(100)	2,565	70,026
Profit for the period and total comprehensive income	–	–	–	–	1,750	1,750
Transactions with owners in their capacity as owners:						
Credit to equity for equity-settled share-based payments	–	–	1,219	–	–	1,219
Issue of shares	1	2,117	–	–	–	2,118
At 30 April 2021	**165**	**68,369**	**2,364**	**(100)**	**4,315**	**75,113**
Profit for the period and total comprehensive income	**–**	**–**	**–**	**–**	**2,135**	**2,135**
Transactions with owners in their capacity as owners:						
Credit to equity for equity-settled share-based payments	**–**	**–**	**835**	**–**	**–**	**835**
Issue of shares	**4**	**5,895**	**–**	**–**	**–**	**5,899**
Dividends	**–**	**–**	**–**	**–**	**(1,233)**	**(1,233)**
Balance at 30 April 2022	**169**	**74,264**	**3,199**	**(100)**	**5,217**	**82,749**

Notes to the Company Financial Statements

42. Accounting policies

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

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

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

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

Investments in subsidiaries

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

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

Investments in subsidiaries includes capital contributions to subsidiaries as a result of the issue of equity-settled share-based payments to employees of subsidiaries. The accounting policy for share-based payments is set out in note 2.14 to the consolidated financial statements.

43. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 42, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

44. Profit for the year

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

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

The average monthly number of employees comprised of the executive directors and non-executive directors and was 6 (2021: 6). Their aggregate remuneration borne by the Company was £nil (2021: £nil). All remuneration is borne by a subsidiary entity and no recharge is made to the Company in respect of their services as it is not practicable to allocate the costs appropriately.

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

45. Investments in subsidiaries

	£'000
Cost and net book value	
At 30 April 2020	1,145
Capital contribution in respect of equity-settled share-based payments	1,219
At 30 April 2021	2,364
Capital contribution in respect of equity-settled share-based payments	835
Recharge of exercised share options	(932)
At 30 April 2022	**2,267**

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

Details of the Company's subsidiaries at 30 April 2022 are as follows:

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

Notes to the Company Financial Statements continued

45. Investments in subsidiaries continued

Name	Place of business and registered office address	Principal activity	Class of shares	Proportion of ownership interest %	Proportion of voting power held %
Dakeyne Emms Gilmore Liberson Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	D Ordinary E Ordinary G Ordinary L Ordinary	100%	100%
Shulmans LLP	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	99.9%	99.9%
SLS Trust Corporation Limited**	C/O Shulmans LLP, 10 Wellington Place, Leeds, England, LS1 4AP	Dormant	Ordinary	100%	100%
OTB Eveling LLP	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	100%**	100%
Mundays LLP	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	100%**	100%
K & S Trust Corporation Limited**	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	100%	100%
Knights Wealth Management Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Keebles LLP	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
KH Injury Lawyers Limited**	14 Commercial Street, Sheffield, England, S1 2AT	Dormant	Ordinary	100%	100%
Archers Law Limited Liability Partnership*	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	100%	100%
Langleys Solicitors LLP*	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	100%	100%
Langleys Law Firm Limited*	Queens House, Micklegate, York, North Yorkshire, YO1 6WG	Dormant	Ordinary	100%	100%
Home Property Lawyers Limited	Queens House, Micklegate, York, North Yorkshire, YO1 6WG	Provision of Legal Services	Ordinary	100%	100%

* The acquired entities were active during the financial year, but are dormant as at 30 April 2022.

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

*** Legal title is held on behalf of nominees.

46. Amounts receivable from subsidiaries

	30 April 2022 £'000	30 April 2021 £'000
Amounts receivable from subsidiaries	**80,665**	73,210

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

The balances are considered recoverable from the future cash flows of profitable trading subsidiaries. They are classified as non-current assets because they are not expected to be realised within 12 months of the reporting period.

The Company measures the loss allowance for intra-Group receivables at 12 month expected credit losses ('ECL'). The ECL is estimated using a probability-weighted analysis of all possible outcomes with reference to the debtors' financial position and forecasts of future economic conditions. The resultant estimated ECL is not considered material to the financial statements, therefore the Company has recognised a loss allowance of £nil (2021: £nil) against amounts receivable from subsidiaries.

47. Capital and reserves

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

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

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

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

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

Glossary of Terms

Financial Performance Measure

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

Underlying EBITDA

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

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Operating profit	**3,398**	7,390
Depreciation and amortisation charges	**10,778**	7,730
Non-underlying costs (note 13)	**13,260**	10,288
Underlying EBITDA	**27,436**	25,408

Underlying Profit Before Tax (PBT)

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

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Profit before tax	**1,056**	5,509
Amortisation of acquired intangibles	**3,815**	2,622
Non-underlying costs (note 13)	**13,260**	10,288
Underlying profit before tax	**18,131**	**18,419**

Underlying Operating profit to Underlying Profit Before Tax (PBT)

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Operating profit before non-underlying charges	**16,658**	17,678
Less: Finance costs	**(2,364)**	(1,881)
Add: Amortisation of acquired intangibles	**3,815**	2,622
Add: Finance income	**22**	–
Underlying profit before tax	**18,131**	18,419

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

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

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
(Loss)/Profit after tax	**(2,531)**	3,402
Effect of change in tax rate	**1,747**	–
Amortisation of acquired intangibles	**3,815**	2,622
Non-underlying operating costs (note 13)	**13,260**	10,288
Tax in respect of the above	**(1,869)**	(1,272)
Underlying profit after tax	**14,422**	15,040
Underlying earnings per share	**Pence**	Pence
Basic underlying earnings per share	**17.23**	18.30
Diluted underlying earnings per share	**17.14**	18.07

Free Cash Flow and Cash Conversion %

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

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

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Cash generated from operations (note 35)	**25,060**	20,378
Tax paid	**(4,095)**	(2,125)
Total cash outflow for IFRS16 leases	**(5,302)**	(3,741)
Free cashflow	**15,663**	14,512
Underlying profit after tax	**14,422**	15,040
Cash conversion (%)	**109%**	96%

Net debt

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

	30 April 2022 £'000	30 April 2021 £'000
Borrowings (note 29)	**33,153**	24,064
Cash and cash equivalents	**(4,097)**	(4,783)
Asset held for sale (note 27)	**(130)**	–
Bank overdraft	**–**	1,852
Net debt	**28,926**	21,133

Working Capital

Working capital is calculated as:

	30 April 2022 £'000	30 April 2021 £'000
Current assets		
Contract assets	**31,777**	28,530
Trade and other receivables	**32,309**	31,521
Corporation tax receivable	**1,815**	–
Total current assets	**65,901**	60,051
Current liabilities		
Trade and other payables	**21,362**	32,303
Overdraft included in payables	**–**	(1,852)
Less accrued consideration included in trade and other payables	**–**	(8,310)
Contract liabilities	**237**	216
Corporation tax liability	**–**	765
Total current liabilities	**21,599**	23,122
Net working capital	**44,302**	36,929

Other Definitions

Colleague/Talent Retention/Employee Turnover

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

Fee Earner Concentration

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

Client Concentration

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

Client Satisfaction

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

Colleague Satisfaction

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

Fee Earners

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

Non-Fee Earners/Support Staff

This includes all employees that are not fee earning.

Recurring Revenue

This is calculated based on the amount of revenue in a year that reoccurs in the following year from the same clients.

Lock Up

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

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

Organic growth

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

Shareholder Information

Directors

DA Beech (appointed 4 April 2018)
KL Lewis (appointed 9 May 2018)
RA King (appointed 1 June 2018, resigned 18 May 2022)
BS Johal (appointed 1 June 2018)
G Davies (appointed 17 March 2021)
J Pateman (appointed 14 January 2019)

Secretary

L Bridgwood (appointed 1 June 2018)

Registered office

The Brampton
Newcastle-Under-Lyme
Staffordshire
ST5 0QW

Registered number

11290101

Independent auditor

RSM UK Audit LLP
Chartered Accountants
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Stoke-on-Trent
Staffordshire
ST1 5BB

Nomad and Broker

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10 Paternoster Square
London
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Financial Public Relations

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Bank

Allied Irish Bank (GB)
Vantage Point
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HSBC UK Bank plc
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Registrar

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