

## 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 number one 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. Knights became a pioneer in the UK legal sector being one of the first law firms to secure external funding in 2012 to fully corporatise the business and create a clear separation between ownership/management and partners.



**Richard King**  
Chief Operating Officer

Richard has extensive experience of transforming operating models, integrating acquisitions and exploiting technology to scale-up and deliver operational efficiency in large enterprises such as Procter & Gamble, Shell and a B2B cloud services start-up (Transora).

Previously, Richard was European Commercial Capabilities Director at Procter & Gamble. He joined Knights as COO in January 2019, overseeing the scale-up of the operating backbone and increased use of technology to improve service quality and operating efficiency.



**Kate Lewis**  
Chief Financial Officer

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

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



**Balbinder (Bal) Johal**  
Non-Executive Chairman

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

Prior to MML, Bal was Investment Director at 3i leading a range of high-profile investments such as SmartStream, Jungle.com, Workplace Systems plc, Telety, Complete Care and Recognition. Bal started his career as a Management Consultant with Accenture later working as a Financial Analyst at HSBC.



**Steve Dolton**  
Senior Independent Non-Executive Director

Steve qualified as a Chartered Accountant and has been a member of the ICAEW since 1989 having qualified with Grant Thornton. He has spent over 20 years in senior financial roles including CFO of NAHL plc, NSL Services Group, Azzurri Communications, Safety Kleen Europe, Walker Dickson Group and Peek plc (including a 2 year period in Asia as Regional Controller).

He is also currently Chairman of the Go Inspire Group and Total Managed Document Solutions Limited was previously a Non-Executive Director of Oxford United Football Club until its sale in February 2018.

Steve is Chair of the Audit Committee and sits on the Remuneration Committee.



**Jane Pateman**  
Non-Executive Director

Jane brings over 20 years' experience in senior HR roles at listed businesses including Centrica and British Gas, and culminating in her current role as Group HR Director at Biffa plc where she is responsible for developing the People Strategy for approximately 8,000 employees across 4 operating divisions.

Jane has a strong track record in driving business benefits through the development and delivery of human capital strategies. During her 10 years at Biffa, she has provided significant support in delivering solutions during major growth periods, including during its IPO as well as driving people and cultural integration for the multiple acquisitions Biffa has made over the past 5 years.

Jane chairs the Remuneration Committee and has taken responsibility for overseeing the Knights ESG strategy. She also sits on the Audit Committee.

# Chairman's Introduction



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

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

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

## The QCA Corporate Governance Code

The Board has adopted the QCA Code. Set out below is how the Board currently complies with the key principles set out in the code.

Governance principle	Compliant	Explanation	Further reading
1 Establish a strategy and business model which promotes long-term value for shareholders		Our strategy is to be the leading legal and professional services business outside London and we aim to achieve this through: <ul style="list-style-type: none"> <li>organic growth which in particular includes;</li> <li>attracting new talent (be that individuals or teams) wishing to be part of a progressive legal services business;</li> <li>roll-out of new offices into target regional locations;</li> <li>outsourcing from national and international firms;</li> <li>increasing productivity through better use of IT;</li> <li>enhanced cross-selling through the addition of new service lines within the existing business; and</li> <li>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.</li> </ul>	See pages 16-17
2 Seek to understand and meet shareholder needs and expectations		The CEO and CFO communicate regularly with shareholders, investors and analysts, including at our half-yearly and full year results roadshows. The full Board is available at the Annual General Meeting ('AGM') to communicate with shareholders.	<a href="http://www.knightspc.com/investors/corporate-governance">www.knightspc.com/investors/corporate-governance</a>
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 61-62

Governance principle	Compliant	Explanation	Further reading
4 Embed effective risk management, considering both opportunities and threats, throughout the organisation		The Board considers risk to the business at each Board meeting and via its standing committees: the Audit Committee, Remuneration Committee and Disclosure Committee.  Both the Board and senior managers are responsible for reviewing and evaluating risk and the Executive Directors meet at least monthly to review ongoing trading performance, discuss budgets, forecasts and new risks associated with ongoing changing trading.	See pages 50-53
5 Maintain the Board as a well-functioning, balanced team led by the Chair		The Board has three established Committees for Audit and Remuneration and Disclosure. The composition and experience of the Board is reviewed regularly by the Board, with external advice where required as given the size and composition of the Board, the Board does not consider that a Nominations Committee is required.	See pages 60-65
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 the recruitment, people management, technology and funding requirements.	See pages 56-57
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 page 61
8 Promote a corporate culture that is based on ethical values and behaviours		Being a regulated law firm the Group is focused on progressing 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 which is integral to the Group's success. The Group achieves this consistent messaging in a number of ways including: regular meetings with team leaders to understand the issues that the staff are facing, all staff calls, particularly during COVID-19 to ensure all staff are fully informed about key developments, and a clear and collaborative management structure which encourages engagement at all levels.	See pages 28-34 and 40-41
9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board		The Board is responsible for the Group's overall strategic direction and management and meet regularly to review, formulate and approve the Group's strategy, budgets, 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 60-61
10 Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders		The Group is committed to maintaining good communication and having constructive dialogue with its shareholders. Regular institutional shareholder meetings and PCFM days are held with the Chief Executive Officer and Chief Financial Officer to discuss Company performance, particularly following publication of the Group's interim and full year results.  In addition a range of corporate information (including copies of presentations and announcements, and an overview of activities of the Group) is available on the Group's website.	<a href="http://www.knightspc.com/investors">www.knightspc.com/investors</a>

## Corporate Governance Statement

### Board composition

The Board comprises six Directors, three of whom are Executive Directors and three of whom are Non-Executive Directors, reflecting a blend of different experiences and backgrounds further details of which are set out on pages 56-57. The Board believes that the composition of the Board brings a desirable range of skills and experience in light of the Group's challenges and opportunities as a public company, while at the same time ensuring that no individual (or a small group of individuals) can dominate the Board's decision-making.

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

### Operation of the Board

The Board is responsible for delivering the Group's strategy and for its overall management of the business and meets regularly to review, formulate and approve the Group's strategy, budgets, corporate actions and to constructively challenge the Executive Directors who are responsible for the day-to-day running of the Group. The operation of the Board is documented in a formal schedule of matters reserved for its approval which is reviewed annually to ensure that it remains current in light of changes to legislation, the size and growth of the Group and changes within the sector that the Group operates within.

Name	Board	Remuneration	Audit
Balbinder Johal	9/10	1/7	-
David Beech	10/10	-	-
Jane Pateman	9/10	7/7	3/3
Kate Lewis	10/10	-	-
Richard King	9/10	-	-
Steve Dolton	10/10	7/7	3/3

\* During the year additional meetings were held principally to approve the terms of the acquisitions undertaken within the period, the placing and the refinancing.

In addition to the scheduled meetings the Board holds periodic strategy days to review the strategic priorities and growth opportunities for the business. The next strategy day is expected to be scheduled once the effects of the COVID-19 pandemic are clearer, as the evolving nature of the situation may present additional opportunities in the short and medium-term strategy adopted by the Board.

Directors are expected to attend all meetings of the Board and of the Committees on which they sit, and to devote sufficient time to enable them to fulfill their roles as Directors. In circumstances where Directors are unable to attend any meeting they are provided all papers to be considered at that meeting and can provide any comments in advance of any meeting for consideration by the rest of the Board. The table below details the Directors' attendance at scheduled monthly Board and Committee meetings in the financial year 2019/2020:

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

### Committees

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

Each Committee is comprised of the Non-Executive Directors (excluding the Chair) with Stephen Dolton 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 meetings, to the extent that they consider it necessary in relation to any specific matter under consideration. Both Committees have sought to utilise external advice with the Remuneration Committee liaising with FIT Remuneration Consultants LLP for the purposes of advising on the terms of the performance share awards granted to certain PDMMs within the business, and the Audit Committee meeting with RSM, the Group's auditors, both with and without the presence of Executive Directors.

The Group has elected not to constitute a dedicated nomination committee, instead retaining such decision-making with the Board as a whole given the size and nature of the Board composition. The Board has used external advisors to introduce any other individuals with skills that the Board believe may be required in delivering its overall strategy and this was how Jane Pateman was identified to act as Non-Executive Director in January 2019.

### 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 62-63 and 64-65 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 process is appropriate for the business' needs, and deals with matters raised throughout such periodic review processes 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.

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 2019/2020, 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

The Group has implemented policies on internal control and corporate governance. These 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 are presented to the Board at regular intervals;

- ▶ budget proposals are submitted to the Board no later than one month before the start of each financial year albeit this policy has been adapted during the COVID-19 pandemic given the evolving impact of the pandemic on the economy;
- ▶ accounting policies and practices suitable for the Group's activities are followed in preparing the financial statements;
- ▶ the Group is provided with general accounting, administrative and secretarial services as may reasonably be required; and
- ▶ interim and annual accounts are prepared and submitted in time to enable the Group to meet statutory filing deadlines.

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 50-53 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 by the Executive Directors supported by the senior management team who maintain responsibility for key areas of the operations. The adequacy of the systems for internal controls 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.

### Relations with stakeholders

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

In order to achieve these aims the Group's senior management teams maintain regular communications with colleagues and encourage them to share feedback and to allow the candid flexible culture to thrive. The level of communication with employees has only increased during the COVID-19 situation with senior management hosting regular calls with team leaders, the CEO holding several 'all employees' meetings, during which 75% of the time was dedicated to Q&A and questions being answered candidly in the moment. These sessions had over 80% participation with over 200 questions answered.

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

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

The Group maintains regular dialogue with its regulator, the Solicitors Regulatory Authority (SRA) given its acquisitive nature and this constant transparent communication has enabled the Group to deliver 6 acquisitions within the financial year.

The Board is proud of the progress it has made in enhancing the sustainability of its operations and in the current financial year has appointed Jane Pateman as its Director with overall responsibility for Environmental, Social and Governance strategy. Further details of the steps that Knights has taken to ensure it can uphold these principles are detailed on page 29 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.knightspc.com](http://www.knightspc.com) but both the Chair and Stephen Dolton as Senior Independent Director are available to discuss any matter any shareholder may wish to raise if required.

### Annual General Meeting (AGM)

The AGM of the Group will take place on the 21st September 2020.

## Remuneration Committee Report

Dear Shareholder,

I am pleased to present the Directors' Remuneration Report for the year ended 30 April 2020.

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

The Remuneration Committee continues to consider how best to respond to the uncertainty created by COVID-19. As announced on 26 March 2020, all Board members' salaries have been temporarily reduced by 30% and the salaries of all staff whose salaries are £30,000 or more have been temporarily reduced by 10% (or to £30,000 where the reduction would take them below £30,000) with effect from 1 April 2020.

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 options to employees as part of the Group's Save As You Earn ('SAYE') share option scheme for 2020.

The Remuneration Committee meets as and when necessary and met 7 times during the year.

### Our performance and link to remuneration

As summarised in the Chairman's Statement on page 8, the Group continued to grow both organically and through targeted acquisitions over the year. The Group performed well with a strong financial performance continuing up until the last month of the financial year where the impact of COVID-19 did result in some disruption to activity.

As disclosed last year an annual bonus arrangement was introduced for Richard King for the 30 April 2020 financial year with a maximum opportunity of 35% of salary based on an underlying EBITDA performance range set at the beginning of the year. The EBITDA for the year was below the threshold range and therefore no annual bonus is payable.

### 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. As noted above these salaries have been temporarily reduced by 30% with effect from 1 April 2020:

- **David Beech:** £250,000 (effective from 1 August 2019). As outlined in the Admission Document, it was recognised that a market-standard salary for an equivalent CEO of an AIM listed company with a similar market capital of the Group is £250,000 ('reference salary') and that this salary would become payable when the Remuneration Committee agreed that it had become appropriate for the Group to do so.

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

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

	Minimum threshold	Target	Maximum threshold	Actual
EBITDA (£m)	18.24	19.2	20.2	18.00
% Payable	25%	75%	100%	0%

Kate Lewis was entitled to be issued with a Restricted Stock Award subject to the Group meeting an underlying EBITDA threshold for the 30 April 2020 financial year. Although this performance threshold was met, Ms Lewis requested the award not be made in light of the COVID-19 related cost savings being operated across the Group.

No long-term incentives were granted to Executive Directors or vested during the year.

The Remuneration Committee determined that Group performance warranted the increase to the reference salary.

- **Kate Lewis:** £175,000 (effective from 1 March 2020). The salary of the Chief Financial Officer was increased from £140,000 during the year. The Remuneration Committee recognised that this was a significant increase in percentage terms but was determined to be appropriate considering both performance and external market data.
- **Richard King:** £200,000 (effective from 1st August 2019). The salary of the COO was increased from £175,000 during the year to reflect performance and external market benchmarks.

**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 £2,000 and 2x salary life cover. The Group also contributes to pension plans or as an additional cash supplement in respect of the Executive Directors at a rate of 3% in line with the automatic enrolment guidelines and which mirrors the contribution across all employees, positioned competitively to the market in which the Group operates.

**Annual bonus:** A plan was operated for Richard King for the 30 April 2020 financial year with a maximum opportunity of 35% of salary with performance criteria based on profit-based targets as set by the Remuneration Committee. The Remuneration Committee intends to agree a similar plan for the 30 April 2021 financial year with targets to be set once the full implications of COVID-19 are understood.

**A discretionary share plan, the Omnibus Plan:** Share-based awards may be granted in 3 forms as considered appropriate by the Remuneration Committee:

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

- **Performance Share Awards:** Awards granted in the form of nil or nominal cost share options, whereby vesting is subject to satisfaction of performance conditions and continued employment within the Group.
- **Share Options:** Awards granted in the form of a share option with an exercise price equal to the market value of an Ordinary Share at the time of grant, subject to continued employment within the Group. Share options may or may not be subject to performance conditions.

The intention is to grant Performance Share Awards to Richard King and Kate Lewis in July 2020 with EPS performance conditions attached. The Remuneration Committee has determined that the unprecedented COVID-19 circumstances means it will be unable to set robust targets until later in the year and intends to set such EPS targets within 6 months of the date of grant.

### Non-Executive Directors

Bal Johal, was appointed Non-Executive Chairman of the Group by letter of appointment dated 1 June 2018. The appointment is subject to re-election at the Annual General Meeting and thereafter is terminable on 3 months' notice by either the Group or Bal. The annual fee payable to the Chairman increased from £50,000 to £60,000 with effect from 1 February 2020.

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

The current fee payable for services as

a Non-Executive Director was unchanged throughout the year at £40,000 with an additional £10,000 payable to the senior independent Non-Executive Director with effect from 1 February 2020.

As noted above these fees have been temporarily reduced by 30% with effect from 1 April 2020.

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

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

Jane Pateman  
Chair of the Remuneration Committee  
21 July 2020

### Directors' emoluments

	Fees/ basic salary £'000	Benefits £'000	Bonus £'000	LTIP £'000	Pension £'000	2020 Total £'000	2019 Total £'000
<b>Executive Directors</b>							
David Beech	231	-	-	-	-	231	143
Kate Lewis	141	-	-	-	4	145	126
Richard King <sup>1</sup>	189	2	-	-	6	197	83
<b>Non-Executive Directors</b>							
Balbinder Johal	51	-	-	-	-	51	43
Steve Dolton <sup>2</sup>	45	-	-	-	-	45	41
Jane Pateman <sup>3</sup>	39	-	-	-	-	39	13
Aggregate						708	449

#### Note

- <sup>1</sup> Richard King was appointed a Non-Executive Director of the Group on 1 June 2018 and subsequently appointed Chief Operating Officer on 15 January 2019
- <sup>2</sup> Steve Dolton was appointed a Non-Executive Director of the Group on 1 June 2018
- <sup>3</sup> Jane Pateman was appointed a Non-Executive Director of the Group on 15 January 2019

### Long-term incentives

	Type of award	Date of grant	Number of shares	Exercise price per share	Fair value at grant	Performance conditions	Vesting date
Kate Lewis	Restricted Stock Award	29 June 2018	241,379	£0.002	350.00 <sup>1</sup>	N/A	June 2021
Richard King	Performance Share Award	29 March 2019	63,352	£0.002	183.75 <sup>2</sup>	EPS <sup>3</sup>	July 2022

#### Note

- <sup>1</sup> Based on IPO price of £1.45
- <sup>2</sup> Based on 3-day average share price of £2.900482
- <sup>3</sup> 3-year performance period with vesting dependent on adjusted EPS performance in financial year 30 April 2022 EPS. 25% vesting for EPS of 20p and increasing on a straight-line basis to 100% vesting for EPS of 25p

# Audit Committee Report

Dear Shareholder,

I am pleased to present the Audit Committee report for the year ended 30 April 2020.

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 and overseeing the relationship with them. In addition the Committee has considered the impact of new accounting standards and COVID-19 particularly around Going Concern.

Steve Dalton 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 three times during the period and attendance of the members is shown on page 60 of the Corporate Governance Report. The Committee has also held discussions with RSM, without Executive Directors being present to discuss any issues arising from their audit work. Neither the Group nor its Directors have any relationships that impair the external auditor's independence.

## Duties

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

### 1 Monitoring the integrity of financial statements

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

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

#### These judgements are as follows:

##### - Revenue recognition policy

The Group recognises revenue on legal and professional services provided based on the methodology set out in IFRS 15 Revenue from Contracts with Customers. There is estimation involved in establishing the value that will eventually be recovered on all of its 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 six acquisitions. Accounting for these acquisitions involves significant judgement to determine the allocation of purchase price, the treatment of deferred consideration, assessment of the requirement for any fair value adjustments, identification and valuation of the intangible assets arising, and estimation of the useful lives of these assets. Having reviewed management's approach and the resulting accounting treatment, the Committee is satisfied that the approach adopted is reasonable and fairly represents the underlying transactions.

##### - Use of alternative performance measures

The Board uses a number of alternative performance measures to assess business performance. The key driver for revenue is the number of fee earners employed by the Group and as a result the Board uses measures based on underlying profit before tax, fee earner numbers, ratios and fees generated by fee earners. Another key focus for the Board is management of its net debt position. The Board uses cash conversion and lock up days to closely monitor these key drivers of the net debt position.

The Audit Committee is satisfied that these are appropriate measures to use as they monitor the inputs that underpin the trading and cash performance of the Group. These measures are discussed in more detail in the CFO's Review on pages 42-49.

### 2 Risk management and internal controls

As described on page 39 of the Strategic Report and page 61 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

During the year the Group has adopted one new accounting standard namely IFRS 16, Leases. The implementation of this standard involved judgements on the appropriate interest rates to be used.

The Committee has reviewed the implementation of this accounting standard and has reviewed the external auditors assessment on its application.

The Committee is satisfied with the application of IFRS 16 in the financial statements.

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

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

The Committee monitors the provision of non-audit services by RSM to ensure this has no impact on their independence. A breakdown of the fees between audit and non-audit services is provided in note 15 to the financial statements. The non-audit fees are not significant and relate mainly to independent tax advice.

This work was conducted by individuals independent of the audit team and therefore the Committee are satisfied the provision of these non-audit services does not impact the independence of the audit team.

### 5 Overseeing the relationship with RSM

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

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

The plan sets out the scope of the audit, areas of perceived significant risk where work will be focused, the audit timetable

and any proposed remuneration. This plan is reviewed and agreed by the Committee in advance of the detailed audit work taking place.

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

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

### 6 Application of IFRSs, and new and forthcoming standards

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

### 7 Impact of COVID-19 and Going Concern

Given the pandemic that arose during the year the Committee has paid particular attention to the disclosures made in the accounts in relation to Going concern. The Committee has reviewed management's approach to assess the potential impact of on the business. The Going concern assessment focuses on the Group's ability to meet its debts as they fall due and being able to operate within its banking facility. The Committee has considered the following:

- The Group's current Revolving Credit Facility of £40m available until June 2023. At the time of writing this has £24m of undrawn availability.
- The mitigating actions and cost cutting exercises already undertaken by management.
- The range of possible scenarios modelled by management and the impact these have on resulting financial forecasts.

The Committee is satisfied that the Group would have sufficient liquidity to meet its liabilities as they fall due and that the disclosures included in the accounts on page 80 on Going Concern and the impact of the COVID-19 pandemic are reasonable.

Steve Dalton  
Chair of the Audit Committee  
21 July 2020

## Directors' Report

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

### Principal activities and business review

The principal activity of the Group is that of the provision of legal and professional services. The principal activity of the Company is that of a holding company. The results for the year and the financial position of the Group are disclosed in the detailed financial statements included on pages 71-121. A review of the performance of the business during the year and potential future developments is included in the Chairman's report, CEO's report and the financial review.

### Dividends

Due to the COVID-19 pandemic and the resultant uncertainty of the effects on the UK economy the Board has decided that it would not be prudent to propose a final dividend at this time. The decision will be reviewed before the AGM when there is more visibility of the likely economic impact. An interim dividend of 1.10p per share was paid on 16 March 2020.

### Future developments

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

### Post balance sheet events

As at the date of signing the accounts, other than the consideration of the potential impact of the COVID-19 pandemic that is discussed in the Going Concern section, there are no significant Post Balance Sheets Events that require any further disclosure.

### Directors and their interest in the shares of the parent company

The following Directors have held office since 1 May 2019.

Name	Number of shares	%
DA Beech	32,500,000	39.60
KL Lewis	2,820	-
RA King	105,460	0.13
BS Johal	510,000	0.62
S Dolton	74,999	0.09
J Pateman	10,000	0.01

Director's remuneration payable in the year ended 30 April 2020 is set out in the Remuneration Committee Report on pages 62-63.

### 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 2020 were as detailed below:

Name	Number of shares	%
David Beech	32,500,000	39.60
Merian Global Investors	6,965,940	8.49
Canaccord Genuity Wealth Management (inst)	5,186,475	6.32
Kames Capital	3,537,731	4.31
Invesco	2,764,012	3.37

### Directors' indemnity provisions

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

### Risk management

The Board manages financial risk on an ongoing basis. The key financial risks relating to the Group are discussed in more detail in note 32 to the financial statements.

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

### Political donations

The Group has not made any political donations.

### 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 consultation

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

The management team regularly liaise with all employees to ensure they are fully aware of any key matters that impact the Group. As well as regular informal meetings between management and employees, the Group holds an annual conference where the strategy of the Group is discussed through presentations and open discussion.

Further information on how the Group liaises with employees and includes them in decision-making where relevant and encourages participation in share schemes to enable them to share in the success of the Group is included in the ESG report on page 28-38.

### Engaging with stakeholders

The Directors have considered who the key stakeholders in the business are and documented how they engage with each of these groups, noting any key decisions made during the year. Details of this are included within the S172 report on page 39.

### 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 and as at the end of the financial year had headroom of over £24m within its current debt facilities.

The Group's forecasts show that the Group has sufficient resources for both current and anticipated cash requirements. In the period since the COVID-19 pandemic broke, the Group has seen a meaningful decline in the number of new instructions. The Group moved quickly to implement a number of cost saving and efficiency measures to make sure it was best placed to deal with the uncertainty arising from the pandemic and continues to monitor the level of new business and costs on a weekly basis.

Although the impact of the pandemic appears to be reducing, the situation is ongoing and the long-term outcome of this and the impact on the wider economy and hence the Group's business and clients is still unknown. This makes it difficult to assess the impact on the Group and Company's future trading with any certainty.

The Directors have therefore modelled a number of scenarios, some of which are much worse than the Directors anticipate the most likely outcome for the Group. Under all circumstances the Group remains profitable and operates within its current available banking facilities with no 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 21 July 2020 and signed on its behalf by:



**Kate Lewis**  
Chief Financial Officer  
21 July 2020

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report and 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 are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and have elected under company law to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS101 Reduced disclosure Framework.

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

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

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

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with IFRSs adopted by the EU; 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.

