

Knights plc

Empowering a thriving future. For our clients, our people and our communities.

We empower our people to deliver outstanding advice that enables our clients to achieve their goals, allowing us all to thrive.

We do this by delivering legal and professional services in a new way - our unique culture, 'one team' approach and commercial mindset enables us to put our clients at the heart of everything we do.

We believe we provide our clients with the best service in the sector, combining the flexibility to service their needs at scale, drawing from our extensive high-quality legal expertise and deep sector specialisms, and the value associated with operating outside London.

We invest in the very best talent and enable the team, through our structure, modernised approach and supporting technology, to focus on understanding our clients' drivers and building strong, longstanding and growing relationships with our clients.

This approach is at the heart of our vision to build the leading, full service legal and professional services business outside London.

Delivered ahead of IPO aspirations

In line with the Group's strategy to accelerate organic growth with carefully targeted acquisitions which enhance or expand the Group's core offering outside London and are considered a strong cultural fit, Knights has grown substantially, surpassing all of the aspirations set out at the time of its IPO in 2018:

	At IPO	Aspirations at IPO for FY 2020	Achieved in FY 2020
Fee earners	350	750	934
Fee earner to support staff ratio	4.5:1	Increase leverage of overheads	4.8:1
Geographical footprint	6 offices	9+ offices	13 offices
Acquisitions	3 (includes TP)	3+ acquisitions	10 acquisitions since IPO

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Financial Highlights

Our innovative approach has driven significant year on year growth, through a mix of double digit organic growth, and selective acquisitions, including six this year.

Revenue

£74.3m

+41% (2019: £53m)

Organic revenue growth rate %

+10%

2019: 15%

Underlying PBT¹

£13.6m

+45% (2019: £9.4m¹)

Reported PBT¹

£4.1m

-16.3% (2019: £4.8m¹)

Cash conversion¹

80%

2019: 131%

Net debt

£15.9m

2019: £14.1m

Underlying EPS²

14.33p

2019: 11.31p¹

Reported EPS

2.44p

2019: 5.27p¹

Note

¹ 2019 figures have been updated to reflect the impact of IFRS 16. A full reconciliation is included in the Financial Review on page 42. All movements from 2019 to 2020 have been calculated based on the 2019 IFRS 16 adjusted comparative.

² 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, adjusted 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 in pages 122-124.

At a Glance

Who we are

Knights has grown to be a leading legal and professional services business outside London, with 934 fee earners operating from 13 offices across the UK.

Our team's deep expertise, sector insight and understanding of our clients underpins our reputation as a trusted adviser.

Our high-quality advice enables our clients to make informed decisions to make the most of their opportunities and navigate their challenges.

Our unique culture and early adoption of a corporate structure which underpins our 'one team' approach are key drivers 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 an individual's or an individual team's performance.

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

This allows our lawyers to thrive on quality work with quality clients, while professional managers focus on running the business.

What we do

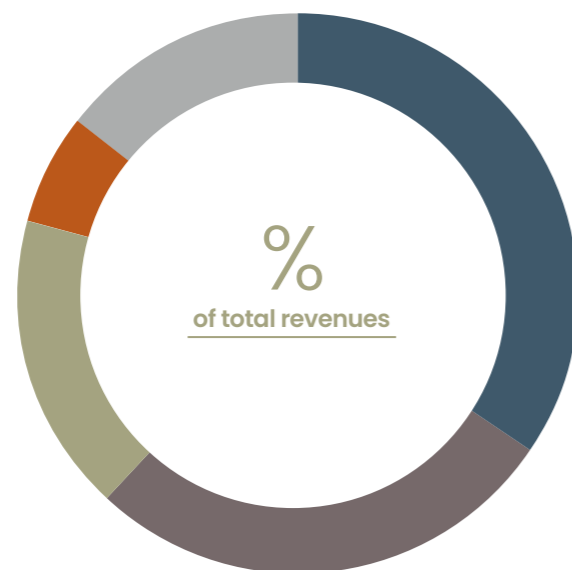
Knights provides a full service offering to corporate clients as well as synergistic services to high net worth individuals, who are typically clients of the Group's corporate and commercial services.

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

Sector specialisms

- ▶ Agriculture and the food supply chain
- ▶ Consumer-facing
- ▶ Energy, waste and natural resources
- ▶ Financial and professional services
- ▶ Healthcare
- ▶ 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



Real Estate

34.6%

Dispute Resolution

27.5%

Corporate

17.2%

Employment

6.3%

Private Client

14.4%

Service Line		Service
Real Estate	All contentious and non-contentious matters across the real estate lifecycle from town planning to asset management.	- Asset management - Development - Property litigation - Business parks - Mines & minerals - Retail - Construction - Plot sales - Town planning
Dispute Resolution	Resolving disputes across the full spectrum of services.	- Arbitration - Litigation - Mediation
Corporate	Advising on all operational activities across a variety of matters and sectors.	- Banking - Intellectual property - Restructuring and insolvency - Commercial - Mergers, acquisitions and disposals - Data protection - Debt recovery
Employment	Providing strategic HR advice on a range of contentious and non-contentious issues across a variety of sectors.	- Litigation/Tribunals - Strategic projects - Management training - Strategic audits/reports - Reorganisation - TUPE
Private Client	Advising on a full range of needs for high net worth individuals and their families.	- Complex family matters - Tax and trusts - Conveyancing - Wills over large estates - Landed estates

Who we work with

We build longstanding relationships with a range of clients from multinational corporations to national corporates and small and medium enterprises.

We have the scale to flexibly deliver high-calibre expertise across a range of services whilst retaining our trusted partner approach, which ensures we really understand our clients' priorities and drivers.

We are proud to work with a highly diversified client base of over 18,000 businesses and private clients, with no one client accounting for more than 3.5% of revenue.

By operating outside London we deliver value to our clients as we support them in achieving their goals.

Where we operate

We are focused on key, attractive markets in the UK outside London, currently operating from 13 offices where we can be close to our client base and build strong local market knowledge and networks.

- Birmingham
- Cheltenham
- Chester
- Crawley
- Leeds
- Leicester
- Maidstone
- Manchester
- Nottingham
- Oxford
- Stoke
- Wilmslow
- York



Investment Case

A strong track record in a highly attractive market.

Experienced operator delivering first class returns

City quality from a competitive cost base

Underlying profit before tax

£13.6m

► Read more on pages 42-49

We generally avoid developing a presence in markets dominated by institutional firms. We will however enter these markets where there is an opportunity to acquire an existing business that meets our criteria to deliver accretive value sustainably.

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 of major city centres contributes to reduced property costs, and provides a more sustainable work-life balance for our colleagues.

Fee earner to non-fee earner ratio well above market average, aided by the use of technology.

Profitable growth

Lawyers with a commercial mindset

Working capital lockup days*

85

► Read more on pages 42-49

Industry leading working capital days facilitated by Knights' culture and training of professionals on client management, supported by technology and actionable analytics.

Fee earners concentrate on client service, while professional managers run the business. Lawyers focus on earning fees with no distractions of running the business, which is operated by an experienced senior leadership team who can act with agility.

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

Highly cash generative

A scalable model

Fee earner:
Non-fee earner ratio

4.8:1

► Read more on pages 42-49

A fragmented market worth £2.6bn outside London provides a clear market opportunity to grow organically, complemented by carefully targeted acquisitions.

Proven and compelling platform for legal professionals, with lawyers attracted by lack of ownership risk associated with partnership structures, sustainability of commercial success and development opportunities.

Culture and market positioning drives organic recruitment and low churn.

Track record of unlocking value from acquisitions, with systems, processes and culture fully integrated by our expert team in under 2 months.

Investment in operational backbone in 2019 provides bandwidth for future growth, with fixed costs diluted as we grow.

This year we have scaled the business in two existing locations and entered five new locations.

Robust platform for growth

Market Opportunity

The UK legal services market is large and growing yet highly fragmented despite the increasing pressures on smaller firms.

A large and growing market outside London

Estimated worth of overall UK legal services market

£33.4bn
2017/2018

Revenue of our addressable market outside London

£2.6bn
per year

Growth rate of our addressable market outside London

3–5%
per year



* Source: Bureau van Dijk, Mintel UK Legal Services Report 2019, The Lawyer UK Top 200 and Top 100 2019.

A fragmented and traditional market

The legal services market in the UK is largely polarised between the major law firms who operate from London and internationally, and are typically focused on the largest UK and international clients and deals, high street law firms focused on consumers, and small to medium sized B2B focused independent law firms, who are often subscale and operate out of a single office regionally, serving businesses typically headquartered outside London. This latter market is our focus.

In our addressable market, there are c.160 firms operating outside London typically having annual revenues of £2m-£60m.

The majority operate under the traditional partnership model, rather than operating as corporate businesses with a clear division between management and fee earners.

Strong market drivers

There are a number of structural market drivers in the UK professional and legal services market, driven by evolving client, regulatory and employee requirements.

Clients are seeking a trusted adviser whose in-depth understanding of their business and their drivers better enables them to achieve their goals. They are becoming more demanding, as they look for value without compromising on quality of service and a firm that can deliver all of their needs at scale, including niche expertise.

Ambitious and forward-looking fee earners are attracted by the opportunity to do high-quality work for exciting clients within a flexible, inclusive, and friendly culture that will enable them to fulfil their career choices, without the need to take on the financial risk associated with partnership. Fee earners typically build trusted and long-lasting relationships with their clients, so that clients often follow them when they move firms.

The cost of operating is rising due to the investment and expertise required to meet ever-increasing security, compliance and regulatory standards. For instance, increasing requirements for due diligence to 'know your client' so as not to become a conduit for crime, terrorism or money-laundering. Scale is therefore an increasing advantage to support these costs.

The market opportunity

These market drivers, together with a clear desire across the sector for a more rewarding working environment, mean that there is a substantial opportunity for Knights to continue to grow its market share from its current level of 3%.

With the benefit of scale and low overheads, Knights is an attractive choice for clients seeking both city quality work and value, and our unique culture provides excellent opportunities for talented lawyers to fulfil their career choices, underpinning our strong momentum in recruitment. We have worked with over 25 clients who sit within the FTSE 100 or have similar market capitalisation.

COVID-19 is only exacerbating the structural market drivers and is likely to accelerate consolidation in the industry, as firms and individuals increasingly look for change.

Knights is well placed to take advantage of this trend with its strong balance sheet, scalable operating platform and reputation for quality work, larger clients, and an attractive culture.



Chairman's Statement

Revenue*

£74.3m

Financial year 2019 £52.7m

Underlying profit before tax*

+45%

Organic revenue growth

10%

Knights has delivered another strong performance as it grew organically and by acquisition, in line with our strategy to build the leading legal and professional services business outside London.



Balbinder ('Bal') Johal
Non-Executive Chairman
21 July 2020



Revenue increased by 41% to £74.3m (2019: £52.7m). This reflected 10% or £5.2m of organic growth, aided by the recruitment of 108 new, high-calibre fee earners. It also includes a £10.5m contribution from the six carefully selected acquisitions made during the year, which substantially broadened our geographical reach and depth of expertise, as well as £5.9m relating to the full year effect of prior year acquisitions.

The Group's ongoing focus on profitable growth enabled us to improve underlying PBT¹ margin to 18.3% (2019: 17.9%), resulting in a 45% increase in underlying profit before tax² to £13.6m (2019: £9.4m) and a 27% increase in underlying EPS³ to 14.33p (2019: 11.31p).

Importantly, this strong performance was achieved whilst substantial investment was also made in the operational backbone of the business, in the first half in particular, with a focus on growing operational leadership, technology and office upgrades, as well as increased automation. This investment is already being leveraged, making possible the significant organic and acquisitive expansion during the year.

This investment, combined with our culture and strong business model, is enabling us to continue to deliver industry-leading working capital management, fee earner productivity and colleague retention, which underpin the building of a sustainable business for the future.

A distinct business model and culture

Having been the first business of our type to corporatise in 2012, Knights is a modernised and well-invested legal services business that operates as one team on a common process, data and technology platform. This enables the team to work together collaboratively and with the agility to efficiently match the right specialist expertise to clients' needs. Since we were already operating in a paperless way, it also meant that the team has been able to transition seamlessly to working from home, with our ability to transact unaffected.

Unlike many legal service providers that focus on the performance of individuals, Knights fosters a highly collegiate culture where we always work in the best interests of our clients and the success of the Group as a whole. Central to this, is that there are no fee earner targets. We take a proactive approach to serve clients as one team, so clients receive the best quality service and value, whilst allowing all of our team to develop and thrive. This unique culture combined with the quality of clients

and work, means we are able to attract and retain the highest calibre of legal talent.

A strengthened and diversified platform

Following ongoing recruitment and the acquisitions made since our IPO, we now have over 930 fee earners operating from 13 locations outside London (up from 350 and 6 respectively at IPO). We now serve over 18,000 clients, including over 25 FTSE100 companies (or equivalent by market capitalisation).

The expansion of our geographic reach and client base, with an average matter size of c.£3,000, together with integrating acquisitions into existing locations, has reinforced Knights' resilience, leaving us relatively well placed in the face of current uncertainty. It has also left us even better balanced for the different stages of the economic cycle, having strengthened the depth and breadth of our expertise across our core areas of Real Estate, Dispute Resolution, Corporate, Employment and Private Client.

In this context, our investments during the year are strengthening our competitive advantage in a highly fragmented market through our greater capacity to deliver a broader range of high-quality and good value services closer to our clients, as their trusted partner.

Environmental, social and governance matters

The Board recognises the importance of our role in environmental, social and governance matters ("ESG"). To reinforce the importance our business places on ESG, we have appointed one of Knights' Non-Executive Directors, Jane Pateman, as the Board member responsible for driving our initiatives in this area across the Group. An overview of the Board's approach to ESG is provided on pages 28-38.

Current trading and COVID-19 update

The health and wellbeing of Knights' people has always been the Group's priority and all of our employees have been working from home since 13 March 2020, ahead of the UK government lockdown due to COVID-19.

Our focus on flexible working and business continuity, supported by our previous investments in secure, robust technology have enabled our team to work effectively from home and continue to deliver outstanding client service.

As announced on 26 March, we moved quickly to put in place a number of prudent cost saving measures in relation to the uncertainty created by COVID-19 that do not compromise the prospects of the business in the medium to long-term. This ability to act swiftly demonstrated the benefit of a corporate structure in which the senior leadership was able to act with agility whilst supporting its lawyers to remain focused on delivering

value to clients. These measures included stopping or deferring all non-essential capital expenditure, eliminating discretionary spend, reducing Board salaries by 30% and the salaries of all staff earning over £30,000 by 10%, and making staffing reductions to reflect a more prudent approach to resourcing.

These early actions have positioned the Group well for the current market environment, albeit it remains difficult to predict the impact on the activity levels of our clients. As a result, the Board believes it would not be appropriate to provide forward-looking financial guidance to investors and analysts at this time. However, whilst the market remains uncertain, we are encouraged that early signs of a recovery in instructions indicate an initial improvement in market conditions compared with the disruption experienced at the beginning of April.

We remain confident in the Group's resilient business model, with our full service offering and geographic reach supporting a highly diversified revenue and client base, industry leading working capital management, and advantageous market positioning. These strengths, together with a strong management team, will see Knights emerge from the near-term uncertainties in a strong position in its market.

Balance sheet and liquidity

The Group has a strong balance sheet with a conservative gearing level, good liquidity, and is highly cash generative. Having conducted robust stress testing, we are confident that it is in a strong position to trade through this uncertain period and beyond.

Dividend

The Board has decided it is not appropriate to recommend paying a dividend given the recent cost saving measures put in place in relation to COVID-19.

Summary and medium-term outlook

Our resilient business model, combined with a strong financial position and being both well invested and cash generative, provides us with a robust platform from which to build upon Knights' unique proposition in the highly fragmented and often under-invested market for legal services outside London.

The Board is, therefore, confident that our talented team will continue to deliver on our long-term strategy to become the leading legal and professional services business outside London, and that the near term challenges for our industry due to COVID-19 will only accentuate our market opportunity in the medium-term.

Note

¹ See Financial Review on pages 42-49

² See Financial Review on pages 42-49

³ See Financial Review on pages 42-49

Chief Executive's Review

We delivered a year of strong, profitable, cash generative growth and demonstrated progress in line with our strategy to complement organic growth with carefully targeted acquisitions.

David Beech

Chief Executive Officer
21 July 2020



Revenue increase

£74.3m

(2019: £52.7m)

Acquisitions

£10.5m

Contribution to revenue

Underlying PBT* margin

18.3%

(2019: 17.9%)

Note

* See Glossary on pages 122-124.

This was reflected in both clear momentum in the recruitment of high-calibre talent, up 135% on the prior year, which drove organic revenue growth of 10%, and strong contributions from six acquisitions. The acquisitions strengthened our presence in the East Midlands and Greater Manchester, and expanded our footprint into Yorkshire, the South East and Birmingham.

Our investments in operational management, technology and infrastructure, enabled this significant expansion to be executed effectively, with the Group's staff more than tripling since IPO in June 2018 to over 1,100 (or doubling in the last 12 months), and offices expanding from 6 to 13.

The c.400 increase in fee earners and the expansion of our fee earner:support staff ratio to 4.8:1 was significantly ahead of the FY20 aspirations we set out at the time of IPO in June 2018. This has left the Group well placed to take advantage of the £2.6bn addressable market for legal services outside London (source: Bureau van Dijk, Mintel UK Legal Services Report 2019).

Throughout this expansion of the business, we have worked hard to retain and develop the Knights' 'one team' culture which ensures a collaborative approach to providing high-quality services to our clients and development opportunities for all of the Group's talent. In turn, our continued high levels of client and colleague retention are a key pillar of our sustained profitable growth.

During the year, our banks and shareholders demonstrated their support for our strategy through a £40m extended revolving credit facility, agreed in February 2020, and a £20m placing which was completed in March 2020 to primarily fund the Shulmans and ASB acquisitions. These left us in a strong financial position as we entered the more uncertain environment created by COVID-19.

In February 2020, Knights also welcomed a significant milestone as we became a constituent of the FTSE AIM 50 which recognises our rapid growth since IPO.

Driving organic growth

We continued to attract high calibre talent during the year, with the strong momentum in recruitment in the first half continuing into the second half. Overall, 108 new fee earners joined Knights organically during the year, compared with 46 new fee earners in the prior financial year. In addition, 18 senior fee earners who have accepted positions and will be joining us in the current financial year.

A significant proportion of these new recruits join from Top 50 law firms looking to further their careers at Knights, which is testament to our reputation for interesting work for a high-quality client base and the development opportunities we offer the team. Our business model and culture remains a clear differentiator for many who wish to move away from partnerships and/or work in a modern professional services business. They are primarily attracted by the highly collaborative and agile work environment, as well as the reduced financial risks that are associated with a classic partnership model.

We have also continued to invest to increase the scale of our operational backbone and geographical reach through new and improved premises. This investment provides an enhanced working environment for existing team members and also attracts further talent to the business.

Following the appointment of Richard King as Chief Operating Officer in January 2019, we have built a robust operational management and support team to enable our growth. During the year we have recruited 15 operational staff; 6 directors (including an operations director, a recruitment director and two client service directors) and a compliance manager, which has provided the capability to scale up the business effectively.

Alongside building out the operational team, significant investment was made in the Group's IT and communications infrastructure. This investment has underpinned a system that now offers firm-wide information across one platform. The system has supported our increased headcount and the swift integration of acquired businesses. At Knights we are constantly reviewing and adopting new technology where it will improve efficiency or provide insight to enhance our client service.

A great example of where the investment in premises and platform have delivered for the Group is in Manchester and in York.

During the first half of the year, the team in Manchester relocated into new, larger offices where the improved working environment and more central location has enabled us to grow by 79% to 86 fee earners, (including 16 who joined as part of the acquisition of Croftons). Our growth in Manchester has also added momentum to our nearby Wilmslow office which has grown by 33% to 80 fee earners (since April 2018: 56), necessitating additional space.

In the second half of the year, the Group was able to leverage its existing operating platform to enter York with a new office opening, and a team of 15, including 5 partners. We have also invested during the year in expanding our capacity in Oxford, providing capacity for up to 200 fee earners.

Recruited

108

Fee earners including 24 partners

Client satisfaction

+60

>10 years average relationship for top 10 clients

Acquisitions as a platform for organic growth

We continued to build on our strong track record in selecting and integrating high quality acquisitions with a strong cultural fit that either take the Group into new key markets or strengthen Knights' service offering in existing locations.

We have an industry-leading integration methodology that ensures we deliver value throughout our programme of acquisitions. The methodology ensures clear management ownership of individual transactions and puts in place an experienced support team to migrate acquired businesses onto our IT, payroll, billing and cash collection platforms. Rebranding, onboarding clients and teams, migrating to new platforms, enhancing office environments, securing culture carriers, training, and modernising acquired teams' approach to both delivering and being paid for their legal services, have all become very much 'business as usual' tasks for the Group.

As a result of our approach, the Group's prior year acquisitions have all performed well and have provided platforms for further growth in their respective regions during this year.

Strengthening our offering in existing geographies

On 3 February 2020, we completed the acquisition of Croftons Solicitors LLP ('Croftons'), bringing to the Group a specialist housing, regeneration and commercial real estate law firm in Manchester.

Established in the 1840s, Croftons has a strong reputation for a broad spectrum of work and is a trusted adviser to over 50 housing associations, which is typically a very defensive segment of the market with a high proportion of recurring revenues.

Chief Executive's Statement continued

Croftons' 33 fee earners have integrated well within Knights, bolstering the Group's presence in Manchester and Wilmslow and broadening its real estate offering. Initial synergies were all delivered as expected and Croftons continues to perform well.

On 27 March 2020, Knights completed the acquisition of Fraser Brown, bringing to the Group one of Nottingham's largest independent law firms.

Established over 250 years ago, Fraser Brown grew to offer a broad spectrum of commercial and private client legal services to clients across the East Midlands, significantly strengthening the Group's presence and breadth of offering in the region.

Its 81 fee earners have integrated well with the Group's existing team in the East Midlands, with initial synergy savings delivered in line with expectations. We plan to build upon our expanded East Midlands presence by combining our current teams in Derby, Lincoln and Nottingham into new offices in Nottingham, providing critical mass in this important market.

Birmingham acquisitions position us well in the important West Midlands market

We entered Birmingham with the acquisition of EGL on 1 November 2019, bringing to the Group one of the only full service commercial independent law firms in Birmingham and further extending Knights' strength in its existing corporate, dispute resolution, real estate and private client service offering.

The Group subsequently expanded its offering further in Birmingham through the acquisition of ERT Law Limited (ERT), a specialist in commercial litigation, servicing a number of blue-chip and listed companies, on 17 January 2020.

ERT added 24 fee earners to the 28 acquired as part of the EGL acquisition, providing us with a significant and high quality platform from which to grow in the important West Midlands region, which is estimated to have a £250m legal services market (source: Bureau van Dijk, Mintel UK Legal Services Report 2019).

Both acquisitions were a strong cultural fit which enabled them to integrate well and they have performed in line with our expectations following the realisation of synergies.

Establishing the Group in the attractive South East market

On 17 April 2020, Knights completed the acquisition of ASB Law LLP, including ASB Aspire LLP ('ASB'), bringing us an entry into the South East with a leading full service commercial law firm in the region.

ASB is a culturally aligned, commercial law firm offering commercial, corporate finance, dispute resolution and employment advice from offices in Crawley and Maidstone, with 89 fee earners and large corporate relationships.

Its ambitious and innovative team has successfully challenged conventional ways of working in the legal sector despite a limited ability to invest for growth. However, they will benefit from investment as part of a broader Group and we expect that our investments in technology and training will allow the full potential of the business to be realised.

The acquisition of ASB provides a platform for growth in the strategically attractive South East market, which is estimated to be valued at £250m excluding London (source: Bureau van Dijk, Mintel UK Legal Services Report 2019).

ASB has integrated well, with initial synergies realised as anticipated and we expect to be able to continue to grow our presence in this region given ASB's well located base for the recruitment of high-calibre talent, including lawyers who no longer wish to commute to London.

Knights also brings additional expertise, scale and breadth of services to ASB's large corporate relationships (particularly regulatory, tax and intellectual property), whilst we expect to leverage the niche specialisms that ASB brings, e.g. in the aviation sector, across our wider geographical footprint.

Leeds entry provides a strong platform in one of the largest regional markets

On 24 April 2020 we completed the acquisition of Shulmans LLP, providing us with an entry into the Leeds market with a leading independent law firm (source: The Lawyer UK Top 200 2019). Having been founded in 1981, Shulmans brought to the Group one of the longest established independent commercial law firms in Leeds, with 90 commercial fee earners operating from a single office. Its full commercial legal services offering includes corporate, litigation, employment and real estate, which is well matched to Knights' existing specialisms.

Shulmans provides Knights with a platform for growth in one of the largest regional markets for legal services in the UK; the Yorkshire market is estimated at £440m (source: Bureau van Dijk, Mintel UK Legal Services Report 2019). It also brings capacity for material organic growth through recruitment, with capacity to expand to up to 225 fee earners, and further bolt-on acquisitions in the region, in time.

Shulmans also brings access to city relationships for our York office, which we recently established organically and we expect the combination of the two offices in this region to be able to replicate Knights' successful strategy for entering the North West market by opening the Wilmslow office organically in May 2017, followed by the acquisition of Turner Parkinson in Manchester in June 2018 with 44 fee earners. The combination of the two offices generated material organic growth opportunities resulting in circa 166 fee earners across the combined offices today, with the Manchester

acquisition adding momentum to recruitment efforts in the nearby Wilmslow office.

We are working towards a similar outcome for Leeds and York.

Shulmans is culturally aligned to Knights but provides an opportunity to modernise a business which has operated under a more traditional model previously. It has now been integrated, with the significant anticipated initial synergies having been realised as we continue to enhance its margins, through the implementation of Knights' operating model.

The acquisition provides a strong platform in this key market for further organic growth through enhanced recruitment, investment in people and technology, client wins and cross selling.

COVID-19 update and medium-term outlook

We are proud of the way in which our people have responded to working from home, as they continue to deliver outstanding service to our clients, without any impact on our ability to transact, and we are planning to continue to work from home until September at the earliest.

We believe our early and prudent actions to manage costs have positioned the Group well to trade through the current environment.

With the benefit of recent acquisitions, we have built upon our resilient business model with a well-balanced, full service offering and highly diversified revenues by client, sector and geography. During lockdown, the benefits of this model were evident, and the integration of recent acquisitions has been ahead of expectations.

Whilst the market remains uncertain, early signs of a recovery in instructions across the Group provides an initial indication that market conditions have started to improve compared with the disruption experienced at the beginning of April.

In the near term, our focus is on further embedding fee earners from recent acquisitions and on recruiting senior fee earners, who typically bring a client following.

We are seeing a high level of quality recruitment opportunities with a strong pipeline of candidates, many of whom come from Top 50 firms, as they consider a move away from traditional partnerships.

Beyond the near term, we anticipate that COVID-19 will only accentuate the recruitment and acquisition opportunities for our resilient, well-invested, diversified and cash generative business in the highly fragmented and often under-invested market for legal services outside London.

We are, therefore, confident that our model and culture will enable us to emerge in a stronger position from this current environment, underpinning the Board's confidence in the Group's medium to long-term success.

Lastly, and most certainly not least, I would like to pass on a sincere thanks to the Board, to the leadership team and to all my colleagues at Knights for their continual hard work, support and fantastic contribution this year in delivering a strong set of results and achieving considerable further strategic progress.



David Beech
Chief Executive Officer
21 July 2020



We are proud of the way in which our people have responded to working from home, as they continue to deliver outstanding service to our clients, with no impact on our ability to transact.

We believe our early and prudent actions to manage costs have positioned the Group well to trade through the current environment."

David Beech
Chief Executive Officer

Business Model

Fuelled by our passion for creating the leading legal and professional services business outside London, our business model enables us to deliver value by executing our four strategic pillars:



1 Grow Organically



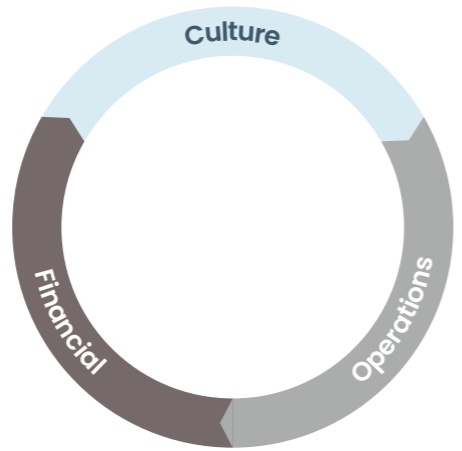
2 Strategic Acquisitions



3 Scale the Operation



4 Exploit Technology and Data

Inputs	Key Strengths	Creating Value	Outputs
<p>Clients</p> <p>Seeking business advice that matters</p> <hr/> <p>Fee Earners</p> <p>Seeking opportunities to grow in a supportive environment</p> <hr/> <p>Law Firms</p> <p>Seeking a platform to get to the next stage</p>	 <div style="display: flex; justify-content: space-around; margin-top: 20px;"> <div style="width: 30%;"> <p>Culture</p> <ul style="list-style-type: none"> An empowering culture <ul style="list-style-type: none"> - Unleashing fee earners' talent through our collaborative and friendly, target free environment - 'One team' culture, where resources flow quickly to create the right team for the client - Entrepreneurial, can-do mindset, where fee earners can be themselves. Trusted advisors to clients <ul style="list-style-type: none"> - Commercial, business outcome mindset, underpinned with expertise and local knowledge - Big enough to deliver, small enough to care - Long-term partnering with clients that want the best and respect those that deliver it. </div> <div style="width: 30%;"> <p>Operations</p> <ul style="list-style-type: none"> Corporate structure <ul style="list-style-type: none"> - Separate and strong leadership team, with broad experience beyond the legal sector - Enabling fee earners to focus entirely on what they do best, servicing clients - Commercial and entrepreneurial approach is embedded in our culture. Efficient and scalable platform <ul style="list-style-type: none"> - Single technology platform delivers efficiency, speed of service, and makes collaboration easy - Flowing work to the right expert or level of experience, to optimise value for clients - Rapidly assembling teams to deliver on short lead time or high volume needs of clients. </div> <div style="width: 30%;"> <p>Financial</p> <ul style="list-style-type: none"> Cash and capital <ul style="list-style-type: none"> - Highly cash generative model, supports investment in people, technology and infrastructure - Strong balance sheet, aided by industry-leading working capital management - Support of the UK's strongest quality growth funds. Acquisition track record <ul style="list-style-type: none"> - Identifying the right businesses, driven by a strong cultural and strategic fit - Integration is 'business as usual', led by an experienced and dedicated team - Rapidly unlocking existing and creating new value sustainably. </div> </div>	<p>Delivering value for clients</p> <ul style="list-style-type: none"> ▶ We deliver results that matter to our clients as we are led by their goals, and use our commercial mindset, market insight and legal expertise, to deliver optimal business solutions. ▶ We are trusted advisors, as a result of our understanding of our clients, their experience of our advice, and because of who we are as people. ▶ We structure our resources to deliver the best solution, underpinned by a high-quality efficient service, enabled by our one team approach and low overheads. <p>Accelerating career ambitions</p> <ul style="list-style-type: none"> ▶ We provide an environment that attracts energetic, commercially minded innovative professionals. ▶ Our fast growing business, one team approach and drive to change the delivery of professional services, provides outstanding opportunities to flourish. ▶ Fee earners focus on what they do best and love, servicing clients, without the time and emotional drains of targets, politics and management meetings. <p>Unlocking value from acquisitions</p> <ul style="list-style-type: none"> ▶ We carefully select strategic acquisitions that have a strong cultural fit, with people who share our belief there is a better way to deliver professional services. ▶ We quickly release value from cost synergies by implementing the Knights operating model. ▶ We accelerate growth by bringing scale and new expertise to acquired teams to be better able to serve their existing clients, win new ones, and expand their reach to serve existing Knights clients. 	<p>Clients</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>+60</p> <p>NPS</p> </div> <div style="text-align: center;"> <p>25</p> <p>No. of FTSE 100 clients</p> </div> <div style="text-align: center;"> <p>70%</p> <p>Growth of clients using more than one service</p> </div> </div> <p>Employees</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>95%</p> <p>Retention</p> </div> <div style="text-align: center;"> <p>+36</p> <p>ENPS</p> </div> <div style="text-align: center;"> <p>108</p> <p>New fee earners</p> </div> </div> <p>Shareholder</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>14.33p</p> <p>Adjusted earnings per share</p> </div> <div style="text-align: center;"> <p>39%</p> <p>3 year profit CAGR</p> </div> <div style="text-align: center;"> <p>27%</p> <p>TSR</p> </div> </div> <p>Communities</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>4</p> <p>working hours a month per employee available to the community</p> </div> <div style="text-align: center;"> <p>1.6m</p> <p>printed pages saved per year</p> </div> <div style="text-align: center;"> <p>9%</p> <p>Energy reduction through use of LED lighting</p> </div> </div>

Principles



One team



Quality



Commercial



Pioneer



Agile



Ambitious

Our Strategy

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

We have made considerable progress in line with this strategy by accelerating organic growth with carefully targeted acquisitions which enhance or expand the Group's core offering and are considered a strong cultural fit.

Strategic pillars	What we did this year		What are our priorities
 <p>Grow Organically</p> <p>Read more on pages 20-21</p>	<p>10% Organic growth</p> <p>39% Joined from Top 50 law firms</p>	<p>108 Net new fee-earners</p> <p>17 Fee earners entered York with capacity to grow to 50</p>	<ul style="list-style-type: none"> ▶ Serving existing and new high-quality clients with more than one service ▶ Develop and promote existing talent and continue to hire high-quality fee earners ▶ Expanding to select new geographies.
 <p>Strategic Acquisitions</p> <p>Read more on pages 22-23</p>	<p>4 Market expansions</p> <p>425 New fee earners via acquisition</p>	<p>2 Scale-up existing markets</p> <p>100% On track to deliver target cost synergies</p>	<ul style="list-style-type: none"> ▶ Remain a leading consolidator in the mid-tier UK legal services sector through selective, high-quality acquisitions ▶ Target firms to accelerate growth in existing markets, or those with attractive positions in new geographies and niche specialisms ▶ Continue to realise targeted cost and revenue benefits, then accelerated growth under Knights ownership.
 <p>Scale the Operation</p> <p>Read more on pages 24-25</p>	<p>4.8:1 Fee earner ratio</p> <p>3 Group operation hubs established</p>	<p>1 Dedicated integration team created</p> <p>6 New Directors</p>	<ul style="list-style-type: none"> ▶ Continue to create economic scale through the Knights platform ▶ Continue to invest to create sufficient capacity ahead of growth ▶ Accelerate how quickly new fee earners master the Knights business model.
 <p>Exploit Technology and Data</p> <p>Read more on pages 26-27</p>	<p>8% of admin work automated</p> <p>70% Growth of clients using more than one service</p>	<p>3 Acquisitions' IT integrated in parallel</p> <p>0% COVID-19 impact on ability to transact</p>	<ul style="list-style-type: none"> ▶ Expand the capacity and increase the economic scale of our operations backbone ▶ Grow the business through actionable business intelligence ▶ Enhancing service to clients through real time delivery and one team collaborative working.

Strategic Progress

Driving synergistic growth

A presence in the largest city in the region provides Knights' local offices with access to city relationships and boosts recruitment.

Knights successfully entered the legal market in the North West in 2017/2018 through a combination of both organic growth and an acquisition.

The Wilmslow office was opened organically in May 2017 and grew to 56 fee earners before the acquisition of Turner Parkinson in Manchester in June 2018, adding a further 44 fee earners. The combination of the two offices added momentum to recruitment efforts in both offices, with new hires, including many from Top 50 law firms, attracted to the combination of working close to home with the optionality of a city centre presence.

The recent acquisition of Croftons in February 2020 has also boosted our Real Estate services in the region with a new specialism in housing associations and regeneration and is already providing further opportunities for our wider North West team, where Croftons would previously have had to outsource certain work. The benefit of our dual locations in the region was also seen when we integrated Croftons, with some of the team having moved into Manchester whilst some joined the Wilmslow offices, where they didn't need to be in central Manchester.

The resulting organic growth opportunities in the North West have led to a strong recruitment drive which has seen us grow to 166 fee earners across the combined offices today.

Having not placed in the top rankings for the region in previous years, our ranking as the top legal service provider for corporate M&A in the North West in 2019 is testament to Knights' growth in the region in recent years.

This approach to entering a new market is currently being replicated in Yorkshire. Following the organic opening of our York office in February 2020, we announced the acquisition of a leading independent firm Shulmans (Source: The Lawyer UK Top 200, 2019), based in Leeds.



Strengthening our core services

Real Estate	<ul style="list-style-type: none"> ▶ A growing team of 382 professionals, with new practices established in the Midlands, Yorkshire and the South East, as well as increasing breadth and depth of our offering in the North West ▶ Built critical mass in our conveyancing and development teams and added to our expertise in remortgaging and housing and regeneration ▶ Newly instructed by Barrett Homes to advise on planning and broadened our relationship with longstanding client Dunelm.
Dispute Resolution	<ul style="list-style-type: none"> ▶ Expanded from 126 to 247 fee earners, with a team of new recruits joining us from a Top 50 law firm in Manchester and a strong presence established in Birmingham following the acquisition of litigation specialists ERT ▶ Delivered property litigation services to a number of notable FTSE 100 retail clients ▶ Added relationship with Mitchells and Butler and Biffa plc to our already impressive client base which includes two international energy providers, FTSE 100 and Euro 200 companies, shareholders of SMEs, partners and directors of professional firms.
Corporate	<ul style="list-style-type: none"> ▶ Our 109 strong team now includes a sizeable presence in Birmingham and Leeds, following the acquisitions of EGL and Shulmans ▶ Advised on a number of high-profile restructuring, insolvency and refinancing matters across the UK, as well as being recognised as the North West's Leading Adviser for deals in Experian's M&A review ▶ Notable deals include acting for BGF to advise on a reinvestment of £13m to international web hosting business Miss Group.
Employment	<ul style="list-style-type: none"> ▶ Expanded from 31 to 47 fee earners, with a team of new recruits joining us from a Top 50 law firm in Manchester ▶ Advising on a number of strategic HR projects following the COVID-19 pandemic ▶ Added relationships with Moneysupermarket.com and Hertz Europe to our already impressive client base.
Private Client	<ul style="list-style-type: none"> ▶ A specialist team continue to deliver high-quality services to high net worth individuals and their families ▶ Advise landed estates clients throughout the UK ▶ A 149 strong team of fee earners (2019: 81).

Sector specialisms

- | | | | |
|---|---------------------------------------|---|--|
| ▶ Agriculture and the food supply chain | ▶ Energy, waste and natural resources | ▶ Healthcare | ▶ Property management and development |
| ▶ Consumer-facing | ▶ Financial and professional services | ▶ Industrials, transport and support services | ▶ Technology, media and telecommunications |



Knights is very important to us as a partner, representing great value, but also trust and integrity.

When we need to get things done very quickly, Knights will do everything they can to get our projects over the line and, when we deal with complex issues, they will put the right expertise our way to deal with those situations. We hope our longstanding relationship continues a long way into the future."

Ed Gretton
Head of Legal at Hanson



Knights is an integral part of our business - for all intents and purposes, almost our in-house lawyers.

Over the more than ten years we've worked with them, they have been involved in every single acquisition. Knights' team is very approachable and they have depth to their teams across commercial property and litigation, where they are able to bring in additional expertise quickly and in a cost-effective manner. I would describe Knights as commercial, efficient, professional."

Martin Pryce
Fprop plc

Strategy in Action



Grow
Organically

We have continued to deliver double-digit organic growth in a growing market.



The key ways in which we delivered on our organic strategy this year were by:

Attracting new talent

39% of the 108 net new recruits this year joined Knights from Top 50 law firms, which is testament to our reputation for interesting work and a high-quality client base as well as the development opportunities and culture on offer. Many of these new colleagues have been attracted by a move from partnerships to a highly collaborative work environment in which they can focus on delivering quality work to their clients unburdened by the financial risks associated with partnership. Our career-supporting culture is not only ensuring we have an exciting recruitment pipeline but, importantly, it is also enabling us to maintain market-leading retention rates.



Knights operates very differently to the traditional law firm model which is refreshing and makes so much sense.

I was particularly attracted to its strong team culture and ethos that people come first, always. I'm already finding that our team-based approach has connected me to new and exciting clients, with my colleagues actively drawing upon my expertise and introducing me to their contacts. I was delighted to join Knights at an exciting juncture and to have the opportunity to help accelerate the growth trajectory of the team here."

Sally Hulston
Partner, Employment, Wilmslow

Targeting new geographies: York

Knights entered its tenth city in February 2020 with the announcement of a new office opening in York. The move into the Yorkshire region, with an estimated market size of £440m (source: Bureau van Dijk, Mintel UK Legal Services Report 2019), was in line with Knights' strategy to target new geographies that have been identified as suitable for consolidation of the highly fragmented independent law firm space. Led by Jonathan Moore, who has more than 20 years' experience in York's legal services market, the opening of a new office with a team of 16 marked our entry into the region with a full service offering and capacity to support further growth in the city.



I was attracted to the idea of being part of a new office startup in York because the Knights' culture that is genuinely centred around trust, transparency, teamwork and the development of people is something very different in the legal sector.

Without the pressures of individual or team billing targets and traditional partnership distractions, our primary focus is on delivering a premium client service and that is the perfect foundation upon which to build a new office from a standing start.

The lateral hires we've made from national and international law firms, together with our full legal service capability means that the businesses and individuals of York and North Yorkshire now have a legal services business local to them that can cater for all of their legal requirements - the potential is enormous."

Jonathan Moore
Office Partner, Real Estate, York

Building out our specialisms: Dental

We continue to expand the depth and breadth of our service offering, including with new specialisms. This year, we have expanded our existing specialisms of Healthcare and Employment and recruited talent in other niche areas, including Aviation.



Having previously worked in a smaller firm specialising in advising dental practices, I joined Knights because it gave me a platform to grow my client offering and work on a greater number and variety of transactions.

The corporate structure at Knights has allowed me to provide a better and fuller service to clients, with its clear separation between management and lawyers allowing me to focus on doing my job as a lawyer, which has enabled me to grow our client base significantly."

Jonathan Tyson
Partner, Corporate, Stoke

Strategy in Action continued



Strategic Acquisitions

Our pipeline of acquisition candidates grew through 2019, as we continued to build upon our reputation as a good owner of acquired businesses.

This is providing a breadth of potential opportunities for Knights to bolt on and integrate businesses in areas that we have identified as suitable for consolidation of the highly fragmented independent law firm sector. During the year we continued to build on our strong track record, successfully completing the acquisitions of a number of firms, with the respective sellers attracted by the opportunities that Knights offers.

We have also shown over time that we are able to support the ambitions of the people that join us via acquisition through:

Unleashing the potential of the talented people we acquire

For many of the individuals that join Knights as part of acquired businesses, it offers the opportunity to expand their role, which in turn provides Knights with broader talent across its management team to drive the business forward. For instance, James Sheridan has become one of the Group's Client Services Directors, with responsibility for the North West region and for leading the recent integration of Shulmans, the Group's largest acquisition to date. Since joining the Group in 2018, James has grown our presence in the North West to c.180 fee earners, with Knights providing the financial, operational and cultural platform to allow him to develop his skills and apply them to maximum effect.



We have significantly developed our North West presence since becoming a part of Knights, with the acquisition enabling me to broaden and deepen my client base much more quickly than I was previously able to within a partnership.

Our team was ranked as #1 for M&A by volume of deals in the North West in 2019, which is a huge testament to our growth. I was also delighted to take on a broader role in developing Knights through leading the integration of Shulmans earlier this year, and believe that coming from a business that was acquired by Knights gave me invaluable experience for ensuring the smooth integration of future acquisitions."

James Sheridan
Client Services Director, Manchester

Benefitting from increased scale

Knights completed the acquisition of ASB Law LLP in April 2020, a firm which had built up strong relationships with a number of large corporates as well as a niche specialism in the aviation industry, amongst others. Following the acquisition by Knights, the business was able to attract work from major clients requiring greater scale and breadth than ASB was previously able to provide due to resource constraints. The scaled-up support offered to clients encompasses the 'one team' approach at Knights, with clients able to draw on an ever-growing network of talented lawyers across a broader range of expertise as part of a larger business.



Joining Knights has enabled us to engage with our network of contacts on matters they previously thought our firm did not have the capacity to deliver.

In recent months we have built on our strong relationships and attracted some high-profile work – most recently we have provided employment advice and collective consultation support for employees of a large tour operator and airport, which wouldn't have been possible without utilising the wider pool of talented lawyers across Knights. The cultural fit has been great and the opportunities we are already seeing is a hugely exciting motivator for the whole team."

Lyndsey Ratcliffe
Partner, Dispute Resolution, Crawley

Accelerating growth into the wider region

Shortly after its acquisition of Spearing Waite, Knights acquired Leicester-based Cummins Solicitors in January 2019 to bolster its offering in the city. The high-calibre employment specialist allowed Knights to bring a full service offering to Leicester, and the Group has seen significant growth in the Midlands since, increasing the number of fee earners in the region to 213.



We built a strong reputation as a small independent specialist in the employment sector but felt that further expansion beyond our existing local client base would be difficult without further backing.

In particular, we found it hard to break in to the Birmingham market alone. We had followed Knights' impressive growth story in the region prior to acquisition and were delighted to join a strong and independent group that we knew would help us to fulfil our ambitions to win in the wider market. Since that time, I have helped Knights to expand into Birmingham with the acquisitions of EGL and ERT, giving us a leading position across the region."

Michael Cummins
Client Services Director, Birmingham

Strategy in Action continued



Scale the Operation

During the year, we built operational strength in the business in preparation for anticipated growth.

Significant investment was made during the first half of the year to ensure the Group had the capabilities to harvest future opportunities as they arose throughout the year. This investment in our platform ensures the sustainability of our success into future periods, with operational capacity across our leadership and systems allowing us to continue to benefit from economies of scale.



Our investment in professionals who have built their careers in operations leadership and delivery, together with our systems and office space investments, means we have a sustainable and scalable backbone to support our rapidly growing business.

During the year this has resulted in us doubling fee earner recruitment, automating c.8% of administration work, alongside the successful integration of 6 acquisitions, 3 of which were delivered remotely during the COVID-19 pandemic.

The strength of our operational backbone means we can operate with both excellence and efficiency, as evidenced by our fee to non-fee earner ratio, which increased to 4.8:1 in the period against an industry norm of 1.5-2:1."

Richard King
Chief Operating Officer

New fee earners:

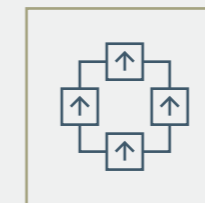
108



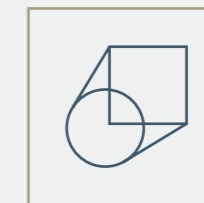
Investments



► **Added 6 Directors to our leadership team**



► **Upgraded technology and infrastructure**



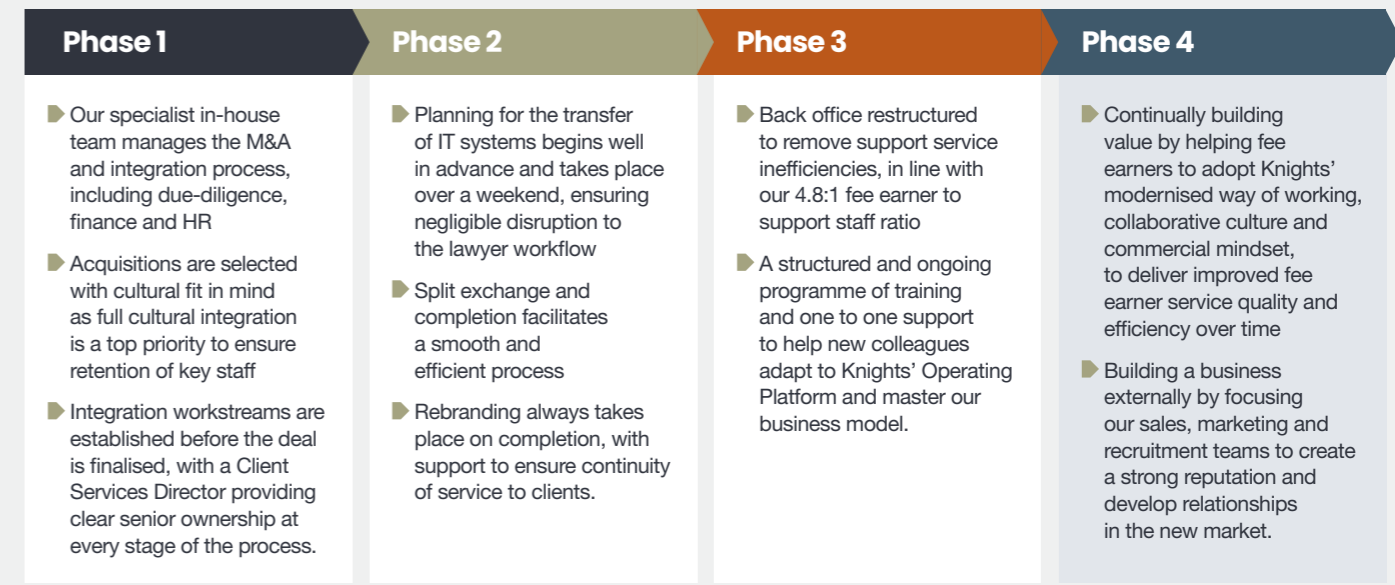
► **Formed specialist integration team**



► **Modernisation of office space**

Successful integration: How we do it

Our tried and tested formula allows us to treat acquisitions as a 'business as usual' task:



Initial synergies generally achieved 2 months after completion, releasing significant value from the acquisitions in the short term.



Prior to joining Knights, the Shulmans team didn't have the systems to work seamlessly from home.

Knights' IT team were able to quickly support our entire infrastructure to allow for remote working, an impressive feat and one that was crucial to our ability to weather this crisis. When Knights completed the acquisition, our systems were integrated over the weekend meaning we could continue client work on Monday morning."

Marcus Armstrong
commenting on the recent acquisition of Shulmans



Having full access to the enthusiastic sales, marketing and recruitment professionals of Knights has been a game changer for me.

Knights has supported me to build business in a way that I've not experienced before."

Richard Wilson
commenting on his experience of joining Knights



Knights' results-driven and collaborative culture has proven to be a real motivator for our ambitious team.

With the best-in-class technology we have adopted, as well as the commercial acumen built through training and mentoring, our original team and client base has gone from strength to strength."

Martin Billings
commenting following the acquisition of BrookStreet des Roches in April 2019

Strategy in Action continued



We have continued to expand the depth and breadth of our use of technology to develop the scalability and efficiency of our operations, and increasingly, to enhance our services to clients.

Our strong foundation of a fee earner base skilled in using technology, together with a single IT and data platform for the business, has enabled us to continue our progress in expanding the business impact of IT.

Most visible has been our ability to instantly switch to home working with no impact on productivity during the pandemic, the 20% efficiency increase in fee earner to operations staff ratio, and the integration of 6 businesses

onto our platform with shut down of all their systems in a matter of weeks after acquisition. Equally, we have made significant progress in using technology to enable fee earners to work more seamlessly and 'real time' with clients.

One platform

Technology

Data

Processes

Scaling our operating backbone

Our single platform is a key strength that we continue to invest in, to sustain our ability to operate as one business as we rapidly grow, create efficiencies at scale, and increase our acquisition integration capacity.

Measures of success

- ▶ We have reduced administration work by c.8% through automation of many time intensive transactional processes particularly in Finance and IT. This has been a key contributor to our fee earner to non-fee earner ratio increasing from 4.0:1 to 4.8:1
- ▶ Our upgraded acquisition integration capability enables us to manage the transition of multiple acquisitions in parallel, notably delivering three in parallel whilst in COVID-19 lockdown.

Fee earner: non-fee earner ratio

4.8:1

Growing the business

We are increasingly creating value by exploiting rich sources of data and codifying our knowhow, to identify and action opportunities to grow revenue and cash conversion.

- ▶ We have increased our success in attracting new clients and growing the number of services existing clients use, by creating a system using algorithms on market and proprietary data, that better identifies prime prospects for our sales team and fee earners to target. This has been a key contributor to us successfully winning 57% additional clients and increasing the number of clients using more than one service by 70%
- ▶ Created a system that takes faster action and reduces the effort to deliver timely cash conversion and low bad debt, by automating some steps and creating exception alerts for others, powered by combining payment history data and our best practice.

Acquisitions integrated in parallel

3

Enhancing service to clients

Growing our capability to work more seamlessly, transparently and faster with clients, is a continued focus, with cloud technologies creating many new opportunities.

- ▶ Accelerated document signing from hours to minutes by introducing e-signatures, as a result of working with a software provider to enhance our capability to meet the complex legal signoff process needs
- ▶ Our existing online collaboration suite proved invaluable during the COVID-19 pandemic. The pandemic and our investment into new capabilities such as shared tasklists and group chat is fueling our clients and ourselves to reimagine how we can work together even more efficiently
- ▶ We now offer bespoke interactive client dashboards so clients can get updated progress information faster, with less effort, at anytime, from anywhere.

Growth in clients using more than one service

70%

Additional clients

57%

Efficiency increase in fee earner to operations staff ratio

20%

Corporate Sustainability

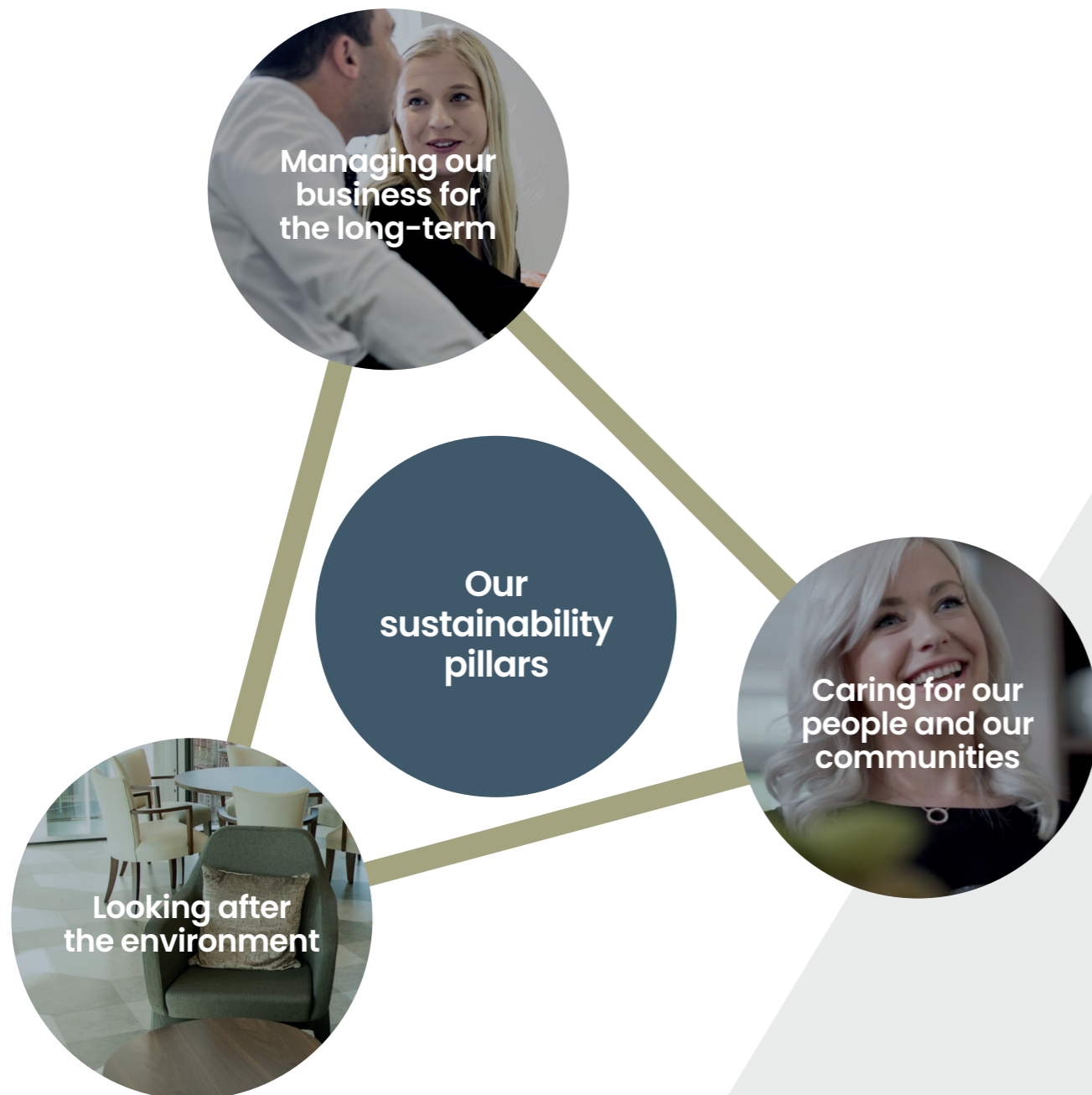
Building a sustainable business that enables all its stakeholders to thrive.

Knights is committed to building a sustainable business that enables all its stakeholders to thrive: a business that minimises its impact on the environment, looks after its people and communities and operates ethically with the highest levels of governance.

Taken together, these goals form a key part of the Group's overall drive to transform legal services away from the traditional model of working and are critical to its wider investment case.

Knights is proud of the progress it has made in enhancing the sustainability of its operations but wants to go further. This year the Group

appointed Jane Pateman as its Board Director with overall responsibility for Environmental, Social and Governance strategy. Jane and the Executive Directors will focus on shaping the Group's strong existing activity into a strategic programme to support Knights in making an increasingly positive impact into 2020 and beyond.



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 behaviour and running its operations with high ethical standards

► Read more on page 30

Caring for our people and our communities

Through fostering a diverse, team-based, meritocracy-driven culture and encouraging community contributions

► Read more on pages 32-34

Looking after the environment

With a focus on cutting our carbon footprint and paper consumption

► Read more on pages 36-38

Key performance indicators

Whilst the Group is continually evolving its measurement of these areas, it currently focuses on the following KPIs to measure the effectiveness of its support of colleagues and the community.

Managing our business for the long-term

- **Board role and diversity**
The Board has an effective blend of financial and public market experience, diversity, skillsets and capabilities with backgrounds in operations, human resources, accounting and finance disciplines across a wide range of industries.
- **Business ethics**
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.
- **Compliance**
Fee earning colleagues receive mandatory compliance training during the onboarding process and are required to refresh this every year.

Caring for our people and our communities

- **Retention**
Knights enjoys relatively strong employee retention levels, with less than 5% churn*.
- **Flexibility**
Knights tries to offer a working environment to suit everyone; last year, a total of 24% of colleagues worked flexibly or part time.
- **Employee ownership**
Knights is proud to be able to offer colleagues a stake in the business; as at February 2020 78% of employees are shareholders via the Group's various share plans, meaning they retain a direct interest in its future prospects.
- **Community**
Our aspiration is to deliver four hours per month, per colleague to our communities through the 4OurCommunity programme.

Looking after the environment

- **Paper consumption**
Within the Group's physical office estate, the number one environmental impact is paper consumption, saving 1.6m pages per year.
- **Energy reduction**
There is also an ongoing upgrade of all light bulbs to LED across all our sites which target a reduction in energy use of 9%.
- **Business travel**
The recent impact of COVID-19 has seen many more internal and client business meetings conducted by video conference, a trend that will support stronger client delivery, improved working conditions and staff welfare, and reducing its environmental impact.



Knights is a business where the day job is intrinsically linked to doing the right thing; whether that's developing and empowering colleagues to deliver the best advice, creating a fulfilling and purposeful environment for our people, or holding ourselves to the highest standards of conduct throughout our business operations.

I'm delighted to be overseeing the drive for greater sustainability at Knights, and I'm looking forward to bringing some of my own background to bear in shaping a strategy for 2020 and beyond."

Jane Pateman, Non-Executive Director: Knights plc, Group HR Director: Biffa plc

Note
* See Glossary on pages 122-124

Managing our Business for the Long-Term

Knights runs its operations with the highest standards of corporate governance and conduct. All of this is overseen by a Board of Directors who bring a wide range of relevant skills and experience to bear.

Board role, diversity and independence

The Board guides Knights' approach and is committed to extending its values to all stakeholder groups, including shareholders, clients, employees, governments and regulators, and the communities in which it operates.

Further details of the Board's outreach are detailed in our Section 172 statement on page 39 of this Annual Report.

The Board is comprised of three 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. Only one member of our Board - CEO, David - has a legal background, with the rest of the Directors bringing broad experience from operations, human resources, accounting and finance disciplines across a wide range of industries.

Board members

6

Business ethics and compliance

Building a culture where the Knights team operates responsibly, sustainably and with integrity is essential to the long-term success as a Group.

The Group is governed by the Solicitors' Regulation Authority and its rigorous approach to conducting its business to the highest standards.

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' background 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.

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

Anti-Bribery and Corruption

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

Whistleblowing

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

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.



I joined Knights plc in November 2018 having worked in-house as a senior member of the Ethics & Compliance function at a global energy company and within financial institutions managing compliance and investigations.

I am excited to be part of such a forward thinking and agile team at Knights where risk and compliance is held in high regard and plays a key part in each step the business takes."

Elinor Lloyd
Compliance Director, Knights plc

Caring for our People and Communities

Knights' team-based culture is focused on helping both its colleagues and their communities to thrive.

Knights is a friendly, down-to-earth business with low hierarchy and a culture of respect, collaboration, positivity and transparency.

The Group is proud of its recent employee net promoter score of +36 and believe it reflects a supportive environment that empowers colleagues to be themselves and use their judgement to do what's right for clients, the business and the wider community.

Knights' values are both a key part of its competitive advantage and a route to long-term sustainability. The Group approaches its work in the following areas:



Employee engagement and culture

Knights' culture is a source of immense pride and the Group firmly believes that it's a key differentiator for clients and colleagues alike in a crowded market.

Above all, Knights aims to create a positive environment that empowers colleagues to be themselves, supports them to take responsibility and provides them with a fulfilling role and development opportunities.

The Group has a culture of productivity and encourages a high level of flexible working. Last year it saw 24% of colleagues work part-time, enabling them to choose a work and personal life balance.

The Group's senior management teams maintain regular communications with colleagues and encourage them to share feedback. Senior management have hosted regular calls through the COVID-19 situation, with the CEO holding several 'all hands' meetings with over 80% participation and over 200 questions answered.

Diversity and inclusion

Knights' core ethos is focusing on what people contribute, not their background.

This approach delivers excellent outcomes when it comes to diversity and we believe that these diverse teams make the best long-term decisions and ultimately position businesses for sustainable growth.

The Group has market-leading levels of gender diversity, with 45% of our upper quartile fee earners being female.

Whilst we are proud of our gender diversity, we continue to look at this area more broadly. Our strategy is based on understanding each individual and creating an environment where everyone can thrive. Whilst we don't formally measure it, we subsequently see people from many different socioeconomic, ethnic and religious backgrounds thriving at Knights.

Health and safety/wellbeing

Knights is committed to ensuring the wellbeing and safety of employees in all offices.

Policies and procedures comply with relevant local safety, health and welfare at work legislation, as appropriate. The Group also uses Grade A office space fitted to high standards in order to provide the best working environment.

As Knights acquires other businesses and operates multiple sites with legacy policies, it overlays a single Knights Health and Safety framework that ensures a consistent approach within the organisation.

The Group places significant focus on the wellbeing of its colleagues providing an Employee Assistance Programme and a Helpline where colleagues can speak to a professional about any professional or personal issues. During the COVID-19 lockdown, world renowned performance coach Jamil Qureshi ran group sessions and 1:1s on mindfulness and wellbeing, attended by over 440 employees.

Pay and conditions

Knights' structure enables the Group to maintain fair and appropriate levels of pay throughout the organisation.

Due to the Group's corporate PLC model, colleagues do not have to take on the financial risks associated with a partnership, and the majority of its Board are not lawyers, meaning they retain an external perspective when setting remuneration levels.

The Group also operates various share plans which enables all employees to become

shareholders and share in the future success of the Group. Since our IPO, where we launched our first share incentive plan, we have rolled out two ShareSave schemes and also launched a Long-Term Incentive Plan for key non-fee earning roles. Over 75% of employees are currently enrolled in a plan.

Caring for our People and Communities continued

People helping others

Knights believes that people who help other people are more engaged and have deeper perspectives on their community. It's those people who are best placed to drive a business forward in the long-term.

The Group is, therefore, focused on enabling colleagues to support their local communities through its flagship programme 4OurCommunity. This gives colleagues 4 hours of work time per month to spend helping local causes.

The Group believes the programme has a huge impact on the wellbeing of staff and enables them to use their individual skills to best effect.

Community

Our aspiration is to deliver 50,000+ hours to our community through the 4OurCommunity programme.



Hospice of the Good Shepherd in Chester

The Hospice have been working on their grounds for some time, but there was a parcel of land - a steep incline which, crucially, faces on to a number of residents' rooms - that needed to be de-weeded and prepped for seeds to be planted.



Europe Corporate Games 2019

Colleagues took part in the Europe Corporate Games 2019 hosted in Coventry, whose official Charity was Zoë's Place Baby Hospice.



The Trussell Trust/ West Chester Foodbank

Bridie Conboy and Emma Scott from Chester volunteering for The Trussell Trust/ West Cheshire Foodbank at Tesco.



Harvest Festival for Alice Charity in Stoke

Colleagues donated over 100 items of non perishables foods and personal hygiene products for the charity's 'peoples pantry'.



Looking After the Environment

Knights is conscious of its impact on the environment and committed to making positive changes at every level of its business.

In comparison with other sectors, the Group is fortunate that its environmental impact is relatively low, but climate change is a global challenge and every business has to play its part in minimising the footprint of its operations.

Offices

Within the Group’s physical office estate, the number one environmental impact is paper consumption, which has traditionally been used heavily in law firms. The Group is also conscious of the impact of other forms of office consumption, including electricity and other consumables.

In recent years, Knights has made significant investments into digital working practices, which is enabling the Group to cut the use of paper across its operations and recently enabled a rapid response to ‘work from home’ measures imposed during the COVID-19 lockdown.

These investments range from the extensive roll-out of software that enable the creation, review and sharing of information digitally across the organisation to increasing the use of electronic signatures. We have also made positive changes to our storage and transportation policies which are reducing the number of journeys connected to sharing documentation within our business.

The Group has specific targets around the use of paper, which are detailed at the end of this section.

Alongside cutting paper consumption, the Group has several other waste management policies in place which are designed to reduce its carbon footprint.

These initiatives are led by Chief Operating Officer Richard King, who brings significant experience in environmental sustainability from his previous roles, and focus on many other areas of the business, including full recycling in all offices, eliminating the use of single-use water bottles, coffee pods, cups, cutlery and crockery and enhancing energy efficiency, with the ongoing upgrade of all light bulbs to LED across all our sites set to reduce energy consumption by 9.9%.

Outside the office

Outside its office estate, the Group’s greatest environmental impact is from travel by employees going to, from and between offices, and to and from clients. The Group therefore aims to encourage and sustain flexible working amongst its employee base, reducing the amount of times people need to travel to, from and between offices to conduct their roles.

This involves investment in digital working practises, including the roll-out of platforms such as Microsoft Teams and Zoom, and training for senior managers across the organisation in how to manage remote working. Where possible, the Group is also entering into sensible, forward-thinking conversations around business travel with our clients, many of whom share similar overall goals.

The recent impact of COVID-19 has seen many more internal and client business meetings conducted by video conference, a trend that will only grow.

Looking to the future, the Group is determined to continue to be proactive in changing what is a traditional sector, believing that greater flexibility can support stronger client delivery, improved working conditions and staff welfare, and reducing its environmental impact.

Case study

Knights rapidly modernises the businesses it acquires and invests a substantial amount in improving their digital infrastructure.

The Group recently acquired EGL and immediately migrated the business on to the Knights platform from its older systems, digitised all paperwork onto the Knights platform and equipped all fee earners with technology and training on ‘paper-lite’ ways of working.

The pictures below show the office space before and after it became part of the Knights organisation.



Looking After the Environment continued

SECR

Greenhouse gas emissions (GHG) statement

In line with the Companies Act 2006 (2013 Regulations) and the recently introduced Streamlined Energy and Carbon Reporting (SECR) requirement, Knights plc is disclosing its annual Global Greenhouse Gas (GHG) emissions here. We are required to report the Company's emissions of carbon dioxide equivalence (CO₂e), a CO₂e intensity value, and the consumption of supplied electricity in the UK. The methodologies and processes used to calculate these emissions are also disclosed.

The table below includes emissions for the combustion of fuel (Scope 1) and purchased electricity (Scope 2) of the premises and other assets owned or operated by Knights plc. Knights plc purchases natural gas for a small number of premises; however measured consumption values are not widely available. As the level of consumption is estimated to be immaterial, these figures are omitted from this report. Going forward, Knights plc aims to improve its collection and reporting of gas consumption and subsequent GHG emissions. Knights plc does not directly own or lease company vehicles; therefore, only Scope 2 emissions are disclosed in this report. All of Knights plc's operations are in the UK, therefore all values below are both Group

totals and UK totals. They are, therefore, not separated out as required by SECR regulations for organisations that have an international carbon footprint.

This is the first year of GHG emission reporting for Knights. In future reports, year-over-year data will be disclosed to show performance and progress. Despite only reporting performance data for the first time this year, Knights has made reducing its environmental impact a key focus area of the business. Significant investments into digital working practises has enabled the Group to cut its use of paper while decreasing the need for physical business travel. These investments range from the extensive roll-out of software that enable

Paper consumption reduction

68%

vs. industry standard

Energy reduction

9%

through use of LED lighting

the creation, review and sharing of information digitally to increasing the use of electronic signatures. Positive changes have also been made to our storage and transportation policies which reduce the number of journeys associated with sharing documentation across our business. The Group has specific targets around the use of paper and has several other waste management and recycling policies in place that are designed to reduce the Group's carbon footprint; these include full recycling in all offices, eliminating the use of single-use water bottles, coffee pods, cups, cutlery and crockery and enhancing energy efficiency. There is also an ongoing upgrade of all light bulbs to LED across all our sites which target a reduction in energy use of 9.9%.

Energy consumption	2020	Unit
Scope 1 ¹	0	Kilowatt hours of energy used
Scope 2 ²	378,537	Kilowatt hours of energy used
Total	378,537	Kilowatt hours of energy used

CO ₂ e emissions	2020	Unit
Scope 1 ¹	0	Tonnes of CO ₂ e
Scope 2 ²	96.8	Tonnes of CO ₂ e
Total	96.8	Tonnes of CO₂e

Carbon intensity	2020	Unit
Reference 1: Area	5,309	Square metres (office area for Group)
Reference 2: Revenue	74 mil	GBP (revenue for Group in 2020)
CO ₂ e by area	18.23	Kg CO ₂ e per m ²
CO ₂ e by revenue	1,308	Kg CO ₂ e per £GBP million of revenue

¹ Scope 1 emissions are traditionally emitted from fuel consumption in either buildings or company leased/owned vehicles. Emissions from personal or privately-hired vehicles used for company business are considered to be Scope 3 (under the GHG protocol) and as such are not included in the 'Operational control' boundary approach adopted by Knights plc (see 'Methodology and scope'). Energy and emissions from the small amount of natural gas consumed are not included in this report, but it is planned that they be included in future years.

² Scope 2 emissions are derived from electricity consumption at Knights plc's offices. They are a mix of measured electricity consumption and estimated values (see 'Methodology and scope').

Methodology and scope

Carbon Dioxide equivalence (CO₂e) emissions data have been collected, calculated, consolidated and analysed following the GHG Protocol (Corporate Accounting & Reporting Standard) following the 'operational control' approach. Emission factors of supplied electricity for locations were sourced from the UK Government GHG Conversion Factors for Company

Reporting (DEFRA agency) – this is the annual average CO₂e emissions of the UK's electricity grid. The boundary for reporting includes assets (in the case of Knights these are offices) that are owned or operated by the organisation. Energy consumption values and their corresponding GHG emissions are a mix of measured data such as electricity bills (approximately 55% of data) and estimated

values based on office area size (approximately 45% of data). Data estimation is primarily due to offices being in shared locations where supplied energy is not specifically provided to Knights by the landlord or building manager. Going forward, Knights plc intends to collect more 'measured' energy data and reduce the need for estimations.

Engaging with Stakeholders

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

This section of the Strategic Report describes how the Directors act in line with Section 172 of the Companies Act 2006, and continue 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, customers 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 Board identifies the Group's key stakeholders as shareholders, employees, clients, regulators, suppliers and community participants, and it is committed to effective engagement with these stakeholders ensuring the interests of all stakeholders are given equal importance when making key decisions.

Set out below is a summary of how the Board fulfils these duties in respect of each of their key stakeholders.

Shareholders

The Board regularly engages with shareholders and is committed to an open dialogue and fair and equal treatment of all shareholders. The Chairman meets shareholders without management present and reports to the Board. The Board receives regular updates on shareholder engagement and analyst commentary and receives presentations from corporate brokers on investor perception.

The Knights CEO has a full programme of engagement with shareholders and presents 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.

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 our shareholders, typically providing a brief update presentation at each AGM and with all Directors available to answer questions.

The Board would, however, welcome greater participation from shareholders, and the current COVID-19 crisis may alter the dynamics of these meetings in the future. The Company is looking at other ways to broaden the participation of all shareholders.

Employees

The Board receives regular updates in relation to employees and, during 2019, conducted a number of Board visits to key offices and received regular updates via one-on-one meetings, Board presentations and via the Executive Directors.

The Group holds annual strategy days and, as the Board is in attendance, it is able to get both formal and informal instant feedback from the Senior Management team.

Regulators

The Board has a clear and robust process for engaging with regulators, as and when appropriate, and monitoring risk registers. 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 at least once a month 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 and updates are provided to the Board by the Chief Executive Officer. During the year, the Board receives updates from senior management on key client issues via the business reviews.

The CEO and selected members of the Board also meet existing and potential clients at conferences and events (in light of the COVID-19 pandemic these meetings have occurred regularly through video conferencing to maintain our strong relationships). The CEO independently regularly meets with key clients to strengthen relationships.

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 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 28-38 of this report. Detailed updates on this strategy and associated programmes of work are provided to the Board and discussed on its Risk Committee.

Decision making

Acquisitions, refinancing and placing during the year, the Group acquired six law firms, providing additional scale, additional practice areas and presence in a number of key geographical markets in order to allow it to deliver its strategy to be the leading legal

and professional services business outside London. The acquisitions provide enhanced revenue generation which in turn provide returns to shareholders in the longer term and provide enhanced employment opportunities as part of a wider Group. Prior to completing the acquisitions the Board considered the effects that the acquisitions would have on the Group's gearing and creditors in order to ensure that executing the strong pipeline of acquisitions would not adversely impact creditors interests. In considering this the Group agreed to refinance its existing facilities by extending its revolving credit facility with HSBC UK and Allied Irish Bank providing total committed funding of £40m to provide the Group with additional flexibility to further grow its presence across the UK, and raised gross proceeds of £20m through a placing which allows it to maintain a strong balance sheet. See page 22 of this report.

Addressing the impact of COVID-19

As a result of the COVID-19 pandemic and the measures that have been taken by the government to counteract the impact on public safety the Board had to take swift and decisive action to protect the health and well-being of the Group's employees. In considering the needs of the employees the Board took the decision on 13 March 2020 prior to the government lock down to require all employees to work from home. The Board believes that the Group's previous investments in secure, robust systems, infrastructure and technology platforms have enabled teams to work effectively from home and that its investment, along with a strong team culture, has enabled Knights to protect its colleagues without adversely disrupting service levels to clients which in turn maintains both client relationships and in the longer term shareholder returns.

In addition, in order to preserve jobs in light of the rapidly changing economic environment, the Board took the decision to reduce Board members' salaries by 30%, and the salaries of employees earning in excess of £30,000 by 10% with effect from 1 April 2020, in addition to other cost cutting measures in relation to non-essential capital expenditure. These actions have been well received by employees, our funders and our investors.

Non-Financial Report

Described below is how the Group aims to comply with the Non-Financial Reporting Regulation requirements as set out in sections 414CA and 414CB of the Companies Act 2006.

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 page 14. The principal risks relating to these matters and due diligence

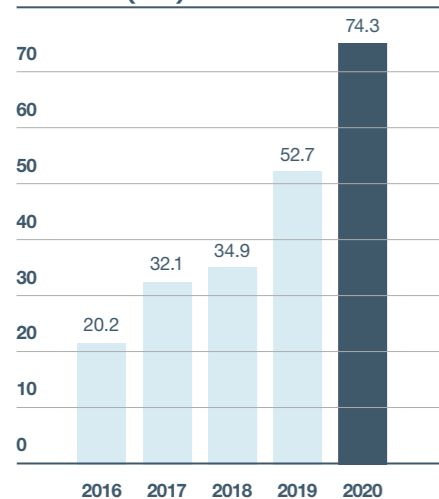
undertaken in pursuance of our policies is set out in the Risk Management section of our Annual Report, on pages 50-53 respectively.

Requirement	Where to find information	Policy overview
Environmental matters	Looking after the environment pages 36-38	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. We recognise the need to minimise our impact and continually measure and monitor the environmental sustainability of its operations and, where possible, sets targets to ensure that it operates with the minimal impact. Knights provides regular environmental and progress updates to employees, clients and other interested stakeholders. A summary of its progress in 2019 is detailed on page 36 and KPIs relating to the Group's streamlined energy and carbon reporting (SECR) is available on page 38.
Employees	Investment case pages 4-5 Chairman's statement pages 8-9 Chief Executive's statement pages 10-13 Business model page 14-15 Caring for our people and communities pages 32-34 Section 172 statement page 39	<p>As set out in the Investment case, pages 4-5, Chairman's statement, pages 8-9, Chief Executive's statement, pages 10-13 and Business Model, pages 14-15, our employees are an essential component of our business with their health and wellbeing remaining a Group priority.</p> <p>Health & Safety Policy: Knights ensure 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. The policy of management is 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.</p> <p>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. We 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 are 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 our Quality, Health and Safety Manager, who recommends any changes to meet new circumstances.</p> <p>Training: A wide range of training and development opportunities are available for all employees. Fee-earning colleagues receive mandatory compliance training during the onboarding process and are required to refresh this every year.</p> <p>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 for any professional services business and publishes an update of its gender pay gap report on its website.</p> <p>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 judgment 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.</p> <p>Whistleblowing: Employees are encouraged to report any serious wrongdoing by the firm 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.</p>

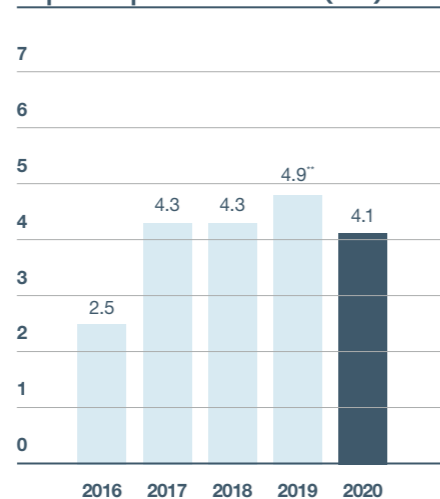
Requirement	Where to find information	Policy overview
Social matters	Caring for our people and communities pages 32-34	<p>As outlined in Caring for Colleagues and Communities, Knights is actively engaged in its communities through both employment and community activities. Knights' legal services are also aimed at helping local businesses thrive and grow.</p> <p>The Group enables colleagues to support their local communities through its 4OurCommunity programme, where colleagues can spend four hours of work time per month to offer 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 50,000+ hours to its communities through the programme.</p>
Respect for human rights	Managing our Business for the long-term page 30 Section 172 statement page 39	<p>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.</p> <p>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 these policies.</p>
Anti-corruption and anti-bribery	Managing our Business for the long-term page 30 Section 172 statement page 39	<p>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' background 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.</p> <p>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 firm 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 "customer due diligence" and to recognise and report suspicious transactions, as well as avoiding tipping off a suspect about a report.</p> <p>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.</p> <p>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.</p>
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 of its dealings which is fundamental to our business strategy. We will only accept instructions and provide advice where we are able to meet our 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. We will always consider the most appropriate style of communication bearing in mind 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 our relationship with our 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 not speaking 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 the Knights business itself. Where employees cannot reconcile these two duties the protection of confidential information is paramount. Employees can contact Mark Beech 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, having 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. This has been amply demonstrated in our response to the COVID-19 crisis.

Financial Review

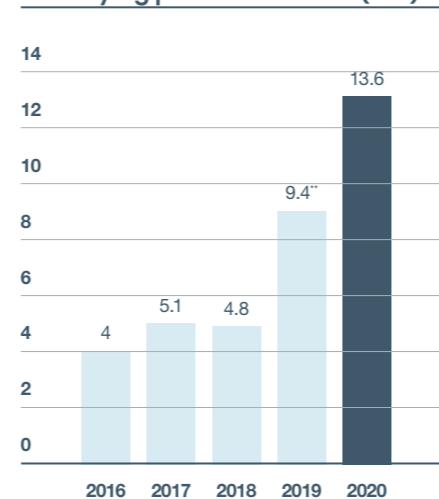
Revenue (£m)



Reported profit before tax (£m)



Underlying profit before tax* (£m)



Adjusted EPS (p)*

2020	14.33
2019	11.31

Average number of fee earners

2020	622
2019	402

Underlying PBT margin*

2020	18.3%
2019	17.9%

Fees per fee earner* (£'000)

2020	119
2019	131

Underlying PBT per fee earner* (£,000)

2020	22
2019	23

Reported EPS

2020	2.44p
2019**	5.27p

Financial results

	2020 £'000	2019** £'000
Revenue	74,254	52,662
Staff costs	(45,578)	(30,137)
Other underlying costs and charges	(15,060)	(13,098)
Underlying profit before tax*	13,616	9,427
Amortisation of acquisition related intangibles	(1,427)	(693)
Non-recurring finance costs*	(41)	(2,038)
One-off costs on acquisitions and IPO*	(8,090)	(1,847)
Profit before tax	4,058	4,849
EPS	2.44	5.27
Adjusted EPS	14.33	11.31



I am pleased to report strong performance for the Group in the financial year, despite suffering from the economic impact of the COVID-19 pandemic during April, which historically is the strongest trading month for the Group. We have continued to build on our historic strong track record of growth in both turnover and profitability over the past six years with a further 41% increase in turnover and a 45% increase in Underlying Profit Before Tax (PBT)."



Our continued focus on cash flow has resulted in strong cash conversion of 80% for the year, with net debt being lower than expected, positioning the Group well to deal with the current economic uncertainty from the impacts of the COVID-19 pandemic and to continue with our future growth strategy via recruitment and carefully selected acquisitions.

Revenue

Reported revenue for the period was £74.3m compared with £52.7m in 2019 representing a 41.0% increase.

Of this increase 20%, or £10.5m, was a result of the acquisitions made during the financial year, £5.9m relates to the full year impact of acquisitions made in FY19 with the balance coming from organic revenue growth.

The Group achieved strong organic growth, of £5.2m (10%), which is testament to our commitment to continue to strengthen our core business. The organic growth is primarily a result of the increased fees from individuals recruited in the later part of FY19 and fees generated by the net new recruitment of 108 fee earners during FY20.

2020	£74,254,000
2019	£52,662,000

+41%

Staff Costs

Total staff costs represent 61.4% of revenue compared with 57.2% in 2019.

Fee earner staff costs have increased from 49.6% of turnover to 52.1% of turnover reflecting the investment in fee earners across all levels during the year. As many of our new fee earners joined us during the second half they have been with Knights for less than the six months it would typically take to achieve the full expected fee earning run rate.

As reported in the second half of FY19 we have continued to invest in our support functions in FY20, focusing on increasing the management resource available within the Group to ensure we have a properly structured support team with sufficient bandwidth to guarantee the continued efficient integration of acquisitions.

In addition to the COO appointed in January 2019, this investment has included the appointment of a projects director, a client services director, an operations director, the expansion of our sales team and further investment in the HR, IT and finance support functions.

During the unprecedented period of working from home due to nationwide lockdown we have benefited from previous investments in operational resource and IT as the business was able to continue to operate as normal with no interruption to our ability to transact. We also completed three acquisitions and the related data transfers, onboarding and staff training on Knights' operating systems whilst working remotely, which is testament to the strength of our platform and dedication of our teams.

These investments, together with the costs of the Executive and Non-Executive Directors as discussed in the Remuneration Committee report, has increased our support staff costs from 7.6% of revenue in FY19 to 9.3% of revenue in the current year.

Management anticipates that these costs will now start to be leveraged by the increased fee generating capacity of the business, supported by the fact that, as at the end of the financial year, the fee earning to support staff ratio was at a level of 4.8 fee earners to every one support staff (on a FTE basis) compared with the average of 4.2 during the year.

Total staff costs

61.4%

(2019: 57.2%)

Direct staff costs

52.1%

(2019: 49.6%)

Net fee earner recruits

108

(2019: 46)

Support staff costs

9.3%

(2019: 7.6%)

Investment in support function £,000

850

Note

* See Glossary on pages 122-124

** The 2019 figures have been adjusted to reflect the impact of IFRS 16 as explained on page 124

Financial Review continued

Underlying profit before tax*

During the period we have adopted IFRS 16 in relation to the accounting for lease contracts. As set out in note 37 to the financial statements this has resulted in reduction in profit before tax of £0.5m compared with the level that would have been reported under previous accounting standards. The table below shows the impact

of IFRS 16 adoption on the results for the financial year to 30 April 2020 and restates the period to 30 April 2019 for the adoption of IFRS 16 for comparison purposes. All of the commentary below is provided on an IFRS 16 basis in both years, in order to provide a more meaningful comparison.

	2020		2019		2019	
	IAS 17 April 20 £'000	Change £'000	Reported IFRS 16 April 20 £'000	Reported IAS 17 April 19 £'000	Change £'000	Comparable under IFRS 16 April 19 £'000
Revenue	74,254	-	74,254	52,662	-	52,662
Other operating income	894	-	894	415	-	415
Staff costs	(45,578)	-	(45,578)	(30,137)	-	(30,137)
Depreciation and amortisation charges	(2,281)	(1,995)	(4,276)	(1,473)	(1,316)	(2,789)
Impairment of trade receivables and contract assets	(112)	-	(112)	(439)	-	(439)
Other operating charges	(13,770)	2,266	(11,504)	(11,164)	1,603	(9,561)
Non-underlying costs	(8,090)	-	(8,090)	(1,847)	-	(1,847)
Operating profit	5,317	271	5,588	8,017	287	8,304
Finance costs	(677)	(812)	(1,489)	(738)	(679)	(1,417)
Non-recurring finance costs	(41)	-	(41)	(2,038)	-	(2,038)
Profit before tax	4,599	(541)	4,058	5,241	(392)	4,849
Taxation	(2,239)	-	(2,239)	(1,240)	-	(1,240)
Profit and total comprehensive income for the year attributable to equity owners of the parent	2,360	(541)	1,819	4,001	(392)	3,609
Basic EPS (pence)	3.16		2.44	5.84		5.27
Underlying earnings per share (pence)	14.30		14.33	11.88		11.31
Underlying Profit Before Tax	14,158		13,616	9,819		9,427
Underlying Profit After Tax	11,247		10,706	8,141		7,749

Underlying PBT excludes amortisation of acquired intangibles, non-underlying transaction costs relating to the placing in March 2020 and acquisitions made during the year, restructuring costs as a result of acquisitions and the cost saving exercise undertaken in response to the COVID-19 pandemic and contingent consideration payments required to be reflected through the Statement of Comprehensive Income under IFRS. It also excludes 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 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 in order to provide a more meaningful measure and year on year comparison of the profitability of the underlying business. Underlying profit before tax has increased by 45% compared with the same period last year to £13.6m (2019: £9.4m), representing a margin of 18.3% as compared with 17.9% in the prior year. The improvement in margin is a result of the increase in fee income leveraging general overheads and finance costs in the business which is particularly

encouraging given the level of investment in the business. In addition to the investment in fee earning and support staff as discussed above, during the year there has also been investment in other areas of the business in preparation for future organic growth. For example the investment in the increased office premises in Manchester at the start of the financial year has led to an increase in costs of approximately £750k. This investment has allowed organic and acquisitive growth in Manchester during the year with scope for further expansion of up to 70 fee earners in the future, providing opportunity to further leverage overheads and improve profitability over time.

Reported profit before tax

The reported profit before tax for the year has decreased by 16.3% to £4.1m (2019: £4.8m on a comparable IFRS 16 basis). The decrease in reported profit before tax of £0.7m in the year reflects the net impact of increased revenue, the leveraging of overheads of £3.5m, the decrease in non-underlying finance costs of £2m and the increased non-underlying costs of £6.2m.

The significant increase in the non-underlying costs incurred due to the six acquisitions (FY19 four) and restructuring exercise undertaken as a result of the COVID-19 pandemic. The non underlying costs relating to acquisitions include the recognition of some contingent payments on acquisitions and the restructuring costs.

	2020	2019
	£4,058,000	£4,849,000
		-16.3%

Note
* See Glossary on pages 122-124

Earnings per share (EPS)

The weighted average number of shares in 2020 was 74,675,462 (2019: 68,533,094) which gives a basic earnings per share (Basic EPS) for the year of 2.44p (2019: 5.27p). Taking into account the number of share options that the Group has outstanding at the year end gives a diluted EPS of 2.41p (2019: 5.24p).

In order to compare the EPS year on year, the underlying EPS has been calculated showing 14.33p in 2020 compared with 11.31p in the prior year. This measure eliminates the effect of any non-recurring and non-underlying costs on the EPS calculation.

Corporation tax

The Group's tax charge for the year was £2.2m (2019: £1.2m) which was made up of a current corporation tax charge of £1.9m and a deferred tax charge of £0.3m (2019: credit of £0.1m).

The deferred tax charge arises due to the charge on the acquired intangible assets and the increase in the expected future corporation tax rate from 17% to 19%.

Dividend

Due to the COVID-19 pandemic and the resultant uncertainty of the effects on the UK economy the board has introduced cost cutting measures across the Group to ensure that the business is in the best possible position given the current uncertainty. Whilst these cost cutting measures are in place, the Board has decided that it would not be appropriate to propose

Underlying EPS

	2020	2019
	14.33p	11.31p
	14.33p	

Basic EPS

	2020	2019
	2.44p	5.27p
	2.44p	

Corporation tax

The total effective rate of tax is 55% based on reported profits before tax. This has been adversely affected by non-underlying items (largely amortisation of acquired intangible assets and the recognition of contingent consideration on acquisitions against profits) that are not tax deductible. The effective rate of tax on the underlying profits of the business is 21% (see note 16 of the financial statements).

Effective rate of tax

21%
2019: 17%

Dividend

a final dividend for the financial year at this time. As such the total dividend for the year ended 30 April 2020 will be the amount already paid as an interim dividend, being 1.10p per share (2019: 1.87p per share).

Pence per share

1.10p
2019: 1.87p

Balance sheet

The Group adopted IFRS 16 Leases during the period. The table below shows the impact of IFRS 16 adoption on the Balance Sheet as at 30 April 2020 and shows the comparatives as at 30 April 2019 after adoption of IFRS 16 for comparison purposes. As explained in note 3 to the financial statements, the Group adopted the transition method for implementing IFRS 16 which does not require the restatement of comparative figures.

	2020		2019		2019	
	IAS 17 April 20 £'000	Change £'000	Reported IFRS 16 April 20 £'000	Reported IAS 17 April 19 £'000	Change £'000	Comparable under IFRS 16 April 19 £'000
Goodwill and intangible assets	69,135	-	69,135	46,444	-	46,444
Right of use assets	-	23,749	23,749	-	19,470	19,470
Working capital	27,681	-	27,681	11,762	-	11,762
Other net assets (liabilities)	(2,012)	-	(2,012)	(1,616)	-	(1,616)
Lease liabilities	-	(23,844)	(23,844)	-	(19,018)	(19,018)
	94,804	(95)	94,709	56,590	452	57,042
Cash and cash equivalents	12,741	-	12,741	4,904	-	4,904
Borrowings	(28,650)	-	(28,650)	(19,000)	-	(19,000)
Net debt	(15,909)	-	(15,909)	(14,096)	-	(14,096)
Deferred consideration	(2,850)	-	(2,850)	(3,239)	-	(3,239)
Net assets	76,045	(95)	75,950	39,255	452	39,707

The Group's net assets as at 30 April 2020 increased by £36.2m reflecting the shares issued in relation to acquisitions in the year and the placing in March 2020, and profit net of dividends paid during the year. The working capital as at the end of the year shows a disproportionate increase when compared with the increase in turnover due to the three large acquisitions at the year end, with the full impact of the acquired working capital but only two months of income included in turnover for the year.

Financial Review continued

Goodwill and intangible assets

Included within intangible assets and goodwill is £29.4m of intangible assets, identified on current and prior acquisitions, such as customer relationships, brand and computer software. The balance relates to goodwill of £39.7m arising from acquisitions.

The Board carries out an impairment review of goodwill each year to ensure the carrying value is supportable. Although the Board cannot predict with any certainty the level of future trading of the business given the

current economic uncertainty, the value in use of the goodwill was calculated using a number of different scenarios, some of which assumed a considerably worse 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 2020, the Board concluded that the goodwill and intangible assets were not impaired.

£69.1m

2019: £46.4m

Working capital

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. It is calculated as the combined debtor and 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 the growth strategy of the Group. Total lock up days at 30 April 2020 were 105 compared with 93 the previous year.

Management are satisfied with the level of lock up at the year end which remains significantly better than the industry average despite being adversely affected by the acquisitions during the year that had longer lock up profiles when acquired. Excluding the impact of extended lock

up on acquisitions during the year, the lock up at 30 April 2020 was 85 days (2019: 88 days).

Average lock up days of acquisitions was 137 days pre-acquisition which has reduced to 130 days at the year end. Due to the proximity of a number of the larger acquisitions to the year end, lock up has not reduced significantly in acquisitions as at 30 April 2020. We anticipate lock up of recent acquisitions to reduce to levels in line with the rest of the Group during the first half of FY21.

The Group's strong control over debtors is reflected in a low level of bad debts. Total bad debt charge for the year has reduced to just 0.2% of turnover (2019: 0.8%).

Lock up days

85 days

2019: 88 days
Excludes the impact of the extended lock up on acquisitions made during the year

Bad debt

0.2%

of turnover

2019: 0.8%

Net debt, financing and leverage

The strong cash conversion in the period, together with the funds raised during the Placing in March 2020 have resulted in net debt of £15.9m at the year end which was over £1m better than expectations. This figure represents an increase in net debt from the £14.1m as at April 2019 due to an aggregate cash outlay of £3m relating to consideration for acquisitions made during the period and deferred consideration paid in relation to acquisitions in prior years, net of the £20m proceeds from the placing.

During the year, the Group increased its RCF facility to £40m (split between two banking partners: AIB and HSBC). This increased facility, together with the additional £19.2m funds raised through a placing of shares on 6 March 2020 gives the Group good headroom and positions the Group well to both deal with the economic uncertainty created by the ongoing COVID-19 pandemic to continue its growth strategy into 2021 through continued organic recruitment and carefully selected, culturally aligned acquisitions.

Net debt

£15.9m

2019: £14.1m

Leverage (multiple of adjusted EBITDA)

0.9

2019: 1.2 times

Cash conversion

	2020 £'000	2019 (IFRS 16 adjusted) £'000
Net cash generated from underlying operating activities*	13,791	11,706
Tax paid	(2,907)	(1,076)
Cash outflow for IFRS 16 leases (rental payments excluded from operating activity cash flows under IFRS 16)	(2,366)	-
Free cash flow	8,518	10,630
Underlying profit after tax*	10,706	7,749
Cash conversion	80%	137%

The cash conversion percentage measures the Group's conversion of its underlying profit after tax into free cash flows. Cash conversion of 137% in 2019 was an exceptional result reflecting the cash flow benefit of reducing the lock up in acquired businesses down to a level in line with the rest of the Group.

Cash conversion of 80% in the year to 30 April 2020 reflected the extended lockup in recent acquisitions.

Capital expenditure

During the year the Group has continued to invest in its systems and premises to expand our capacity and ensure our professionals continue to benefit from a high quality working environment, with consistent systems across the Group to aiding integration and supporting our one firm culture.

The total £2.2m invested in capital expenditure (excluding right of use assets capitalised as part of the adoption of IFRS 16) included the following one-off non-recurring significant items required as a result of the acquisitions and continued growth of the Group:

	£m
Refurbishment of new Manchester premises	0.5
Refurbishment of Oxford premises (to expand capacity)	0.3
Refurbishment of additional office space in Wilmslow	0.3
Provision of new / upgraded IT equipment for acquisitions	0.5
Total	1.6

Other capital spend in the financial year relates to general investment in IT, communications and infrastructure required for the increase in the number of employees, and to support our programme of rolling IT replacements to ensure our technology is up to date and sufficient to meet the needs of the business.

Due to the current economic uncertainty the Directors wish to monitor the impact on the business closely before committing to significant expenditure. As such, the capital budgets for FY21 have not yet been finalised. Nonetheless, the Group remains committed to ensuring all acquisitions are fully integrated onto Knights' operating system with a comparable high quality working environment.

Following entry into new markets through acquisition, we expect some expenditure on new premises in Nottingham and Birmingham where leases are due to expire in the next financial year. We have also committed to new modern offices in a central Leeds location and we are reviewing the need for investment in Maidstone and Crawley offices before finalising budgets for the year.

Acquisitions

During the year we completed six acquisitions. The table below summarises the net impact of the acquisitions during the year and in FY19 on cash during the current year and in future years. This shows the impact of consideration payable net of any cash in the acquired businesses.

Financial year ended	Cash impact from acquisitions in the year £m	Cash impact from acquisitions in 2019 £m	Total cash impact from acquisitions £m
2020	18.96	3.75	22.71
2021	6.08	2.32	8.40
2022	5.25	0.65	5.90

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

Acquisitions completed during the year were structured with a lower initial cash outlay, altering the balance between cash, shares and deferred or contingent consideration agreed, as confidence in the value of the Group's shares has increased.

The strong cash and lock up management systems in the Group mean that often we generate cash from the balance sheets of acquired businesses.

Tax - Cash flow impact

Corporation tax

In FY20 the Group and Company fell under the large Quarterly Payments regime for corporation tax for the first time. This had the effect of advancing the corporation tax payments such that the full estimated corporation tax for the financial year has been paid during the year rather than only 50% under the prior year's tax regime. The cash impact of these additional tax payments during the year was approximately £1.1m.

VAT

During the COVID-19 pandemic the Group benefitted from the temporary ability to defer VAT payments until June. As at 30 April 2020 this had a positive impact on cash of approximately £0.8m. This deferral of VAT will reverse impacting cash flow in FY21.

Financial Review continued

Key performance indicators

The Group 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 operational factors are key drivers for the Group's financial success.

Number of fee earners/Fees per fee earner

Top line growth is a product of the number of fee earners employed and the fees per fee earner that they are generating, therefore these are two KPIs that the Board monitors closely on a monthly basis.

The number of full time equivalent fee earners in the Group more than doubled to 865 at the end of the financial year from 426 at the start of the year, which reflected a combination of new recruits and new joiners via acquisition partially offset by the restructuring exercise undertaken as a result of the COVID-19 pandemic.

Overall fees per fee earner of £119k were generated during the year compared with £131k in 2019.

As a business that has always been focused on cash and profits rather than fees, fees per fee earner, although a useful benchmark, needs to be considered alongside other profit based KPIs as the fees per fee earner can vary from period to period based on a range of factors. For instance, in the reporting year:

- As anticipated, the Group's strong recruitment in the financial year reduced the reported fees per fee earner. In the first year of recruitment, due to the necessary training and onboarding processes that take place for all new recruits, it typically takes three to six months for new recruits to achieve their expected run-rate on fee generation.
- During the year the Group continued to invest in paralegal and trainee resource to support the more experienced recruits joining the business and to ensure teams had sufficient resource at all levels. As Knights includes paralegals and trainees as fee earners, this change in mix brings down the average fee per fee earner.
- Acquisitions typically bring a lower fee per fee earner prior to full onboarding.

New recruits during the year generated £71k per recruit and acquisitions during the year generated £119k per fee earner, many of which have only been with the business for less than six months.

From our first acquisition in 2012, management has been more focused on growth in profitability and the cash generation of the business; therefore a more important KPI and area for focus by the Board is the underlying profitability of the business for the year and by fee earner. The key drivers impacting underlying profit before tax for the year are discussed below.

Underlying profit before tax (PBT)

With the adoption of IFRS 16 during the year the Board views the KPI of underlying PBT as a more accurate measure of its performance as this reflects all of the property and lease costs incurred by the Group. The Board believes that it is an important metric for monitoring the profitability of ongoing operations.

Underlying PBT excludes amortisation of acquired intangible assets and one-off transaction costs relating to the placing of shares in March 2020, acquisitions made during the year and restructuring costs as a result of the acquisitions and the cost saving exercise undertaken in response to the COVID-19 pandemic. It also excludes share-based payments for one-off share awards along with contingent consideration payments required to be reflected

through the Statement of Comprehensive Income as remuneration under IFRS accounting conventions.

The underlying PBT for 2020 has grown by 39% over the 2019 comparative level. This represents a PBT margin of 18.3% compared with 17.9% in 2019 reflecting the fact that the increased scale of the business is further leveraging the overheads of the business whilst also allowing the Group to invest in new fee earners, support staff and larger premises to provide a stable base for future growth. As a result, underlying PBT per fee earner remained relatively stable at £22,000 per fee earner compared with £23,000 in FY19, despite the additional investment and recruitment in the year.

Average full time equivalent fee earners during the year

622

(2019: 402)

Fees per fee earner

£119k

(2019: £131k)

2020	18.3%
2019	17.9%

+45%

Underlying PBT per fee earner

£22k

(2019: £23k)

Fee earner to non-fee earner ratio*

The business model and use of IT systems have been key in enabling the Group to maintain a fee earner to non-fee earner staff ratio that is much higher than the average for the sector. This continues to be one of the key differentiators in our business model enabling the Group to generate such strong margins.

As at 30 April 2020, due to the growth in the business via acquisitions and organic recruitment the Group is operating at a ratio of 4.8 fee earners for every one support staff.

This is despite the investment in support staff during the year and now places the Group in an excellent position to continue to leverage overhead costs in the coming year. However, the Board recognises the importance of ensuring that the support function is always sufficient for the business and that capacity is in place before any significant planned growth. Therefore the Group will accordingly continue to invest in support staff to create the required sustainable base for future growth meaning that this ratio may vary over time dependant on where the Group is in its investment and growth cycle.

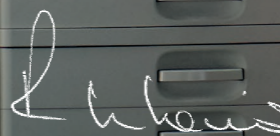
4.8

(2019: 4.0)

In summary

The Board is pleased with the growth in fee income and profitability during the year which has been achieved whilst also investing significantly in the strengthening of the management and support staff function as well as organic income growth via recruitment.

The ability of the Group to deliver such strong results is particularly pleasing given the significant impact of COVID-19 in the last month of the financial year. The Group's performance together with the lower than anticipated levels of net debt, due to the Group's excellent cash management, places us in a strong position to continue to grow the business both organically through recruitment, and through selective acquisition opportunities.



Kate Lewis
Chief Financial Officer
21 July 2020

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 to ensure that controls are put in place to ensure the Groups' exposure to these risks is 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
Professional liability and uninsured risks	<p>The Group provides, amongst other things, legal, tax, and town planning services which gives rise to a potential liability for negligence, breach of regulatory duties or other similar third party claims.</p> <p>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.</p>	<p>The Group maintains comprehensive professional liability insurance to reduce or mitigate against any financial impact of claims made. Claims are dealt with by a central team to ensure that they are dealt with effectively and in line with the Group's compliance policy.</p> <p>The Compliance team works closely with Insurers and the Regulatory bodies to ensure any risks are minimised.</p> <p>The Directors consider compliance to be of paramount importance and feels that it has appropriate processes in place to ensure compliance. Procedures are continually reviewed and amended to take into account up to date guidelines and advice.</p> <p>The Board consider the Group to have a good claims history.</p>
Regulatory and compliance risk	<p>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) and Information Commissioners Office (ICO). Non-compliance with any regulations could result in reputational damage to the business and may have financial implications.</p>	<p>The Group has a strong Compliance and Regulatory team which ensures compliance with all necessary regulations. External advice is taken if required. The Board is regularly updated on any regulatory developments so that it can ensure these are fully considered in all business and strategic decisions.</p>
	<p>Restrictions imposed by the Legal Services Act 2007 (LSA)</p> <p>Knights Group Holdings Plc is a Licensed Body. The LSA places restrictions on the holding of 'restricted interests' in Licensed Body law firms. This restricts the maximum shareholding that can be held, without prior SRA approval, by a non-lawyer shareholder to 10 percent of the issued share capital. If a non-authorized shareholder were to obtain a shareholding in excess of 10 per cent this would be classed as a criminal offence and the SRA could force divestment or revoke the Licensed Body status of the Group.</p>	<p>The Directors work closely with the SRA to ensure there are no breaches and review shareholding regularly. The Board ensure that advisors and shareholders are aware of this issue.</p>
	<p>Employee misconduct and litigation</p> <p>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 Groups' reputation or result in regulatory sanctions and financial damage.</p>	<p>Knights adheres to an Information Security policy that draws on best practice from ISO 270001 and Cyber Essentials plus. This policy is delivered annually to all colleagues and new recruits on induction.</p> <p>The Group takes data protection seriously and has in place robust data protection procedures to ensure it is compliant with GDPR regulations.</p>
Personnel	<p>Ability to attract and retain personnel</p> <p>The ability to attract and retain suitably qualified and experienced personnel is critical to the Group's success as they 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.</p>	<p>The Group invests heavily in working to attract high quality personnel with organic growth being a key focus for the Board. In the last year the Group has employed a Recruitment Director whose primary focus is ensuring that high quality people with the right culture are identified to join our group.</p> <p>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.</p> <p>The Group enjoys low staff turnover and the Board strive to continuously engage with its employees to ensure that employees understand the drivers of the business and there is a continuous reinforcement of the transparent and collaborative culture despite the changing working environment as a result of COVID-19 with employees having worked from home since 16th March 2020, with these working practices expected to continue until at least 1 September 2020.</p> <p>Employee contracts include restrictive covenant provisions to protect the business where possible.</p>
	<p>Succession planning and dependence on key personnel</p> <p>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.</p>	<p>During the year the Board has worked 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 introduction of two new directors, a new Operations Director has been recruited and the operations team has been strengthened considerably in order to seek to ensure that the execution and integration of acquisitions and the ongoing focus on organic growth and strengthening the existing business can be maintained with a wider team taking responsibility for these activities.</p>

Principal Risks and Uncertainties continued

Principal risk	Description	Mitigation
Acquisition risk	<p>A key part of the Group's strategy is to expand the business through the acquisition of culturally aligned, earnings enhancing acquisitions. Detailed financial and legal due diligence is carried out however there is the risk that there are unforeseen issues that adversely affect the reputation or forecast financial performance of the Group.</p> <p>If newly acquired businesses are not properly aligned and integrated this could have negative impacts on the rest of the business and cause reputational damage. There is also the financial risk that the acquired business does not perform as expected.</p>	<p>The Group has an experienced in house acquisitions team that undertakes a robust due diligence process with expert external advice being sought where necessary. Warranties and disclosures are obtained from the sellers as appropriate.</p> <p>The Board recognises that cultural integration is critical to the success of every acquisition. During the year the acquisition and integration teams have continued to be strengthened and the full integration plan utilised by the Group is under continuous review and built upon. This ensures that all acquisitions are fully integrated onto the Group's Operating System as soon as possible and a full training programme is delivered to all new colleagues, which can be delivered both remotely and in person so that integration of acquisitions is not compromised despite the business currently working from home in line with government advice. Cultural integration of the 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.</p>
Macro and micro economic environment	<p>Current uncertainty in the market as a result of the global pandemic of COVID-19 which is expected to result in a general economic downturn which may have a negative impact on the financial performance of the Group.</p> <p>There are a large number of potential competitors within the legal and professional services market competing for the Group's professionals and clients, any loss of which could impact the financial performance of the Group.</p>	<p>The Board believes its exposure to both macro and micro environmental factors is limited due to there being no reliance on any one practice area, client or professional, and the Group's continuous focus on cash collection resulting in it having good headroom to counteract the impact of the lock down measures taken by the government in March 2020.</p> <p>As announced on 26 March 2020, the Group moved quickly to put in place a number of prudent cost saving and efficiency measures in relation to the uncertainty created by COVID-19, demonstrating the benefit of a corporate structure in which the senior leadership were able to act with agility whilst supporting its lawyers to remain focused on delivering value to clients.</p> <p>The Board believes that the swift actions taken position the Group well to trade through the current environment, which has resulted in a circa 20% decline in instructions. However, the Board is encouraged by early signs that market conditions have stabilised following the particular disruption experienced since early April.</p> <p>The Group expects that the number of law firms may decrease due to the uncertainty within the market and the traditional partnership structure operated by many law firms resulting in such firms having limited cash resources to counteract any decline in revenue as a result of the lock down measures taken by the government. The Board believes that this positions the Group well to attract talent from potential competitors.</p> <p>The Board also believes by maintaining the high quality work and strong client base, lawyers will continue to be attracted to Knights' business which can be seen by its double digit organic growth in the last year.</p>
Reputation and brand risk	<p>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.</p> <p>Damage to the Knights' brand could have a detrimental impact reputationally which ultimately could have financial implications for the Group.</p>	<p>Management have in place detailed processes to ensure that all work is undertaken in accordance with the Code of Conduct and Professional Ethics. Internal audits take place to identify any areas of non-compliance.</p> <p>An open, candid and non-hierarchical culture is nurtured whereby all colleagues are expected to behave in accordance with the internal processes in place.</p> <p>The Group takes appropriate steps to protect its intellectual property rights. Corporate profile is a key part of the Boards strategy and external public relations advisers are engaged to assist where necessary.</p>
Information systems and data security	<p>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 accidental could impact the ability of the Group to operate having both reputational and financial implications.</p>	<p>The Groups systems are supported by appropriately qualified and experienced individuals and third parties. External expert advice and support is sought when necessary. Critical systems fail over and recovery are regularly tested and no issues have been identified.</p> <p>The Group liaise regularly with their key suppliers to continue to develop and improve the Operating Systems utilised by the Group.</p> <p>Knights' Information Security Awareness training helps colleagues to identify and prevent fraud/misuse of information and this training is regularly updated to ensure that where certain risks are increased as a result of environmental factors (such as cybercrime 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.</p>

This strategic report and the information referred to herein was approved on behalf of the board on 21 July 2020.



Kate Lewis
Chief Financial Officer