

# Corporate Governance

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## Board of Directors



**David Beech**  
Chief Executive Officer

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



**Kate Lewis**  
Chief Financial Officer

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

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



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

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



**Gillian Davies**  
Senior Independent Non-Executive Director

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



**Jane Pateman**  
Non-Executive Director

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

### Outgoing members

**Richard King**  
Chief Operating Officer

**Retirement:** May 2022

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

## Chairman's Introduction



**Bal Johal**  
Non-Executive Chairman  
11 July 2022

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

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

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

	Governance principle	Explanation	Further reading
1	Establish a strategy and business model which promotes long-term value for shareholders	<p>Our strategy is to be the leading legal and professional services business outside London and we aim to achieve this through both organic and acquisitive growth as follows:</p> <ul style="list-style-type: none"> <li>▶ Organic growth which in particular includes: <ul style="list-style-type: none"> <li>– attracting new talent (be that individuals or teams) wishing to be part of a progressive legal and professional services business;</li> <li>– roll-out of new offices into attractive regional locations;</li> <li>– outsourcing from national and international firms;</li> <li>– increasing productivity through better use of IT; and</li> <li>– enhanced cross-selling through the addition of new service lines within the existing business.</li> </ul> </li> <li>▶ Acquisitive growth by continuing to acquire legal teams or firms offering geographic expansion into attractive new regional markets for Knights, and to further expand offerings in existing regional locations.</li> </ul>	See pages 14-15
2	Seek to understand and meet shareholder needs and expectations	The CEO and CFO communicate regularly with shareholders, investors and analysts, including at our half-year and full-year results roadshows. The full Board is available at the Annual General Meeting ('AGM') to communicate with shareholders.	<a href="http://www.knightspc.com/investors/corporate-governance">www.knightspc.com/investors/corporate-governance</a>
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	Aside from our shareholders, our clients, employees, suppliers and regulators are our most important stakeholders. We engage with these communities via regular communications in our day-to-day activities, and via formal feedback requests. We also understand the importance that we can play in giving back to our communities and our ESG report refers to the role that we play in this regard.	See pages 24-33
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	<p>The Board continually considers the risk profile of the business and the impact of any changes to the risk profile driven by both macro and micro environmental conditions.</p> <p>The Audit Committee completes a wholesale review of the risk profile of the business on an annual basis.</p> <p>Both the Board and senior managers are responsible for reviewing and evaluating risk and the Executive Directors meet at least monthly to review ongoing trading performance, discuss budgets, forecasts and any potential new risks associated with ongoing changes in trading.</p>	See pages 48-53

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

# Corporate Governance Statement

## Board Composition

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

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

## Operation of the Board

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

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

Directors are expected to attend all meetings of the Board and of the Committees on which they sit, and to devote sufficient time to

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

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

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

In addition to the scheduled meetings the Board holds periodic strategy days to review the strategic priorities and growth opportunities for the business and there is regular communication between the Executive and Non-Executive Directors, including where appropriate updates on matters requiring attention prior to the next scheduled Board meeting. The Board's current practices also encourage the

Non-Executive Directors to meet periodically without the Executive Directors.

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

## Committees

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

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

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

## Remuneration Committee

**The Remuneration Committee is responsible for:**

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

## Audit Committee

**The Audit Committee is responsible for:**

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

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

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

## Board effectiveness and culture

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

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

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

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

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

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

## Internal controls and risk management

### Internal controls

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

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

- proper business records are maintained and reported on, which might reasonably affect the conduct of the business;

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

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

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

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

### Relations with stakeholders

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

In order to achieve these aims, the Group's senior management teams maintain regular communications with colleagues and encourage them to share feedback and to allow the candid flexible culture to thrive. The level of communication with employees

is ever increasing with Executive Directors hosting regular roadshows and the CEO holding several 'all employees' webinars and encouragement of regular communication within teams within the business.

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

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

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

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

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

### Annual General Meeting ('AGM')

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

# Audit Committee Report



**Gillian Davies**

Senior Independent  
Non-Executive Director

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

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

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

**Gillian Davies**  
Chair of the Audit Committee

### Members of the Audit Committee and attendance

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

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

### Duties

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

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

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

These judgements are as follows:

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

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

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

- Accounting for acquisitions**  
During the year the Group made two acquisitions. Accounting for these acquisitions involves significant estimates to determine the allocation of purchase price, the treatment of deferred consideration, assessment of the requirement for any fair value adjustments, identification and valuation of the intangible assets arising, and estimation of the useful lives of these assets. Having reviewed management's approach and the resulting accounting treatment, the Committee is satisfied that the approach adopted is reasonable and fairly represents the underlying transactions.
- Goodwill and intangible assets impairment**  
At the year end there is £82m recognised in the financial statements relating to goodwill and intangible assets from both current and prior year acquisitions. On an annual basis management need to satisfy themselves that the carrying value of the goodwill is supportable by future expected returns from the Group via a detailed impairment review at the period end and that there are no indications that the carrying value of the intangible assets has been impaired. Having reviewed management's impairment reviews and conclusions, the Committee is satisfied that the carrying value is supportable and the assets do not need to be impaired.

- **Use of alternative performance measures**

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

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

## 2 Risk management and internal controls

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

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

## 3 Changes to accounting policies

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

## 4 Going concern, business model and strategy

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

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

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

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

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

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

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

## 6 Overseeing the relationship with RSM

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

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

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

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

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

## 7 Application of IFRS's, and new and forthcoming standards

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

## 8 ESG and TCFD reporting

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



**Gillian Davies**  
Chair of the Audit Committee

11 July 2022



# Remuneration Committee Report



**Jane Pateman**  
Non-Executive Director

**Dear Shareholder,**

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

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

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

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

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

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

**Jane Pateman**  
Chair of the Remuneration Committee

## Responsibilities

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

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

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

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

## Our performance and link to remuneration

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

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

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

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

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

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

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

### Executive Director remuneration

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

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

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

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

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

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

### Annual bonus

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

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

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

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

### Non-Executive Directors

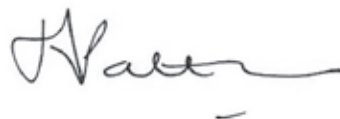
Bal Johal, was appointed Non-Executive Chairman of the Group by letter of appointment dated 1 June 2018. The appointment is subject to re-election at the Annual General Meeting and thereafter is terminable on three months' notice by either party. The annual fee payable to the Chairman was unchanged throughout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

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

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

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

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



**Jane Pateman**  
Chair of the Remuneration Committee

11 July 2022

# Remuneration Committee Report continued

## Directors' emoluments

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

### Notes

- Richard King resigned as a Director on 18 May 2022.
- Gillian Davies was appointed a Non-Executive Director of the Group on 17 March 2021.
- Steve Dolton was appointed a Non-Executive Director of the Group on 1 June 2018 and resigned on 17 March 2021.

## Long-term incentives

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

### Notes

- Based on 3-day average share price of £4.2717.
- 3-year performance period with vesting dependent on adjusted EPS performance in financial year 30 April 2023 with 25% vesting for EPS of 24.19p and 60% vesting for EPS of 25.46p increasing to 100% vesting for EPS of 26.73p. A sliding scale operates between these points.
- Based on 3-day average share price of £2.900482.
- 3-year performance period with vesting dependent on adjusted EPS performance in financial year 30 April 2022. 25% vesting for EPS of 20p and increasing on a straight-line basis to 100% vesting for EPS of 25p. These requirements were not achieved and the award has now lapsed.
- Based on 3-day average share price of £4.39.
- 3-year performance period with vesting dependent on adjusted EPS performance in financial year 30 April 2024 with 25% vesting for EPS of 26.20p and 60% vesting for EPS of 27.58p increasing to 100% vesting for EPS of 28.96p. A sliding scale operates between these points.
- The 2020 and 2021 Performance Share Awards held by Richard King lapsed when Richard King left the Company on 31 May 2022.

## Directors' Report

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



**Kate Lewis**  
Chief Financial Officer

### Principal activities and business review

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

### Dividends

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

### Future developments

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

### Post balance sheet events

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

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

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

The following Directors have held office since 1 May 2021:

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

## Directors' Report continued

### Substantial shareholdings

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

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

### Directors' indemnity provisions

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

### Risk management

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

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

### Political donations

The Group has not made any political donations.

### SECR

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

### Disabled persons

The Group operates an equal opportunities employment policy.

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

### Employee engagement

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

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

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

### Engaging with stakeholders

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

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

### Going concern

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

### Auditor

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

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

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

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

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



**Kate Lewis**  
Chief Financial Officer

11 July 2022

## Statement of Directors' Responsibilities

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

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

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

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

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

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. for the Group financial statements, state whether they have been prepared in accordance with UK adopted International Accounting Standards; and
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the company will continue in business.

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

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

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