Financial highlights

In a year of solid progress, the Group has continued to deliver good revenue growth, increased profits and continued excellent cash conversion.

Revenue
£150.0m
+6% (2023: £142.1m)

Underlying EBITDA*
£38.7m
+16% (2023: £33.4m)

Underlying PBT*
£25.3m
(2023: £21.6m)

Reported PBT
£14.8m
(2023: £11.5m)

Post tax profit
£9.8m
(2023: £7.9m)

Net debt*
£35.2m
(2023: £29.2m)

Underlying EPS*
21.81p
(2023: 20.20p)

Reported EPS
11.47p
(2023: 9.28p)

Cash conversion*
131%
(2023: 117%)

Dividend per share
4.40p
(2023: 4.03p)

Note

* The Group reports certain Alternative Performance Measures ('APMs') as management believe these measures provide valuable additional information for the understanding of the underlying trading performance of the business. In particular, underlying profit measures are used to provide the users of the accounts with a clear understanding of the underlying profitability and cash generation of the business over time.

Full definitions and explanations of these measures and reconciliations to the most directly referenceable IFRS line item are provided on pages 136 – 139.

At a glance

Building on consistent growth and investment in its operational infrastructure, Knights is now established as a leading UK regional provider of legal and professional services.

Where we are

During the year we operated from 23 regional locations each having an established client base and strong local market knowledge and connections.

23

regional locations

Who we are

We are a unique business built on culture and the early adoption of a corporate structure in 2012 following de-regulation of the legal sector, enabling Knights to become one of the largest regional collaborative legal and professional services providers in the UK.

We work together seamlessly as one team, through a commitment to not having individual or location-based financial targets, together with centralised management and dedicated local leadership.

What we do

Offering an unrivalled breadth of services locally, we serve the regional UK market where there is a strong underlying demand for a broad suite of legal and other professional services.

We retain deep local relationships through geographical proximity to our clients and providing premium service focusing on speed, access, communication and quality.

Who we work with

We work with businesses and private individuals seeking a premium service experience.

We have a diverse local and regional client base who value our strong local and regional market knowledge and connections.

We have national clients across a wide range of sectors who value our diverse specialised capabilities and agile delivery from a regional cost base.

An established corporatised model with a unique commercial structure.

Corporatised model

Corporatised platform enabling an efficient commercial model…

- Collaborative culture with **consistent commercial principles** across offices
- **Partner bureaucracy removed;** focus on outstanding service & relationships
- **Differentiated from a partnership model** which is focused on fees over profit and cash collection

…supported by a **differentiated remuneration structure…**

- Partners **not exposed to the financial ownership risks** of partnership structures
- **Attractive remuneration** at or above market levels
- **No fee targets** removes unproductive pressure and **fosters a collegiate, client focused culture**

…driving sector leading outcomes

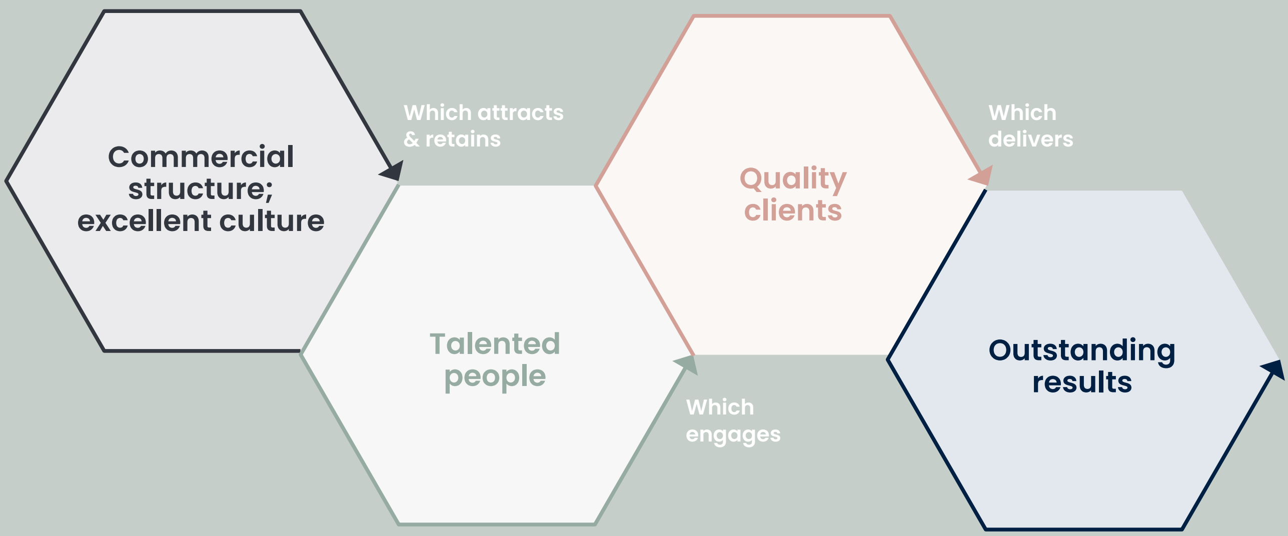
Scalable structure

- **23** Locations
- **3.6:1** Fee earner: support staff ratio*
- **1,323** Average full time equivalent employees

Financial discipline

- **78** Lock up days*

Knights model enables outstanding results



* See Glossary on pages 136 – 139.

Investment case

A leading provider of diversified legal and professional services with national scale and a premium brand.

Increasingly unique in the sector, Knights brings an unrivalled breadth of consistently high-quality services to the under-served regional markets.

Delivering profitable, cash generative growth

Diversified capabilities and client base

Strong platform for organic growth and future acquisitions

Healthy pipeline of larger clients

Enhanced scale and reputation

Local dominance and risk-free model

Underlying profit before tax*

£25.3m

Profitable growth
(2023: £21.6m)

Fee earner: Non-fee earner ratio

3.6:1

Robust platform for growth
(2023: 3.9:1)

Working capital lockup days*

78 days

Highly cash generative
(2023: 87 days)

* See Glossary on pages 136 – 139.

A mature corporatised platform enabling an efficient commercial model

We focus on regional markets throughout the UK where we can become the leading business in our sector. Our increased scale and brand awareness continues to build our reputation across the UK regions, attracting clients who seek the best service experience and professionals seeking the best regional platform from which to deliver those services.

Having no personal and team targets removes unproductive pressure and fosters a collegiate, client focused culture, meaning all clients in all locations always have the benefit of our combined expertise.

Operating from regional locations with lower competition reduces cost pressure, resulting in greater value for clients and a healthier work-life balance with reduced commuting time for our colleagues.

Our established leadership team provides engaged and present local leadership while maintaining and promoting consistency of approach with a strong one-team culture.

Our fee earner to non-fee earner ratio is above market average because of our investment in systems and centralised operating model.

Professional advisors with a commercial mindset

Industry-leading working capital management – facilitated by a focus on financial management, supported by technology, actionable analytics and Client Services Directors who provide a continued focus on revenue generation and cashflow.

Practitioners focus on client service while experienced managers run the business – our professionals focus on delivering services and generating revenue without the distractions of running the business, which is executed by an experienced, agile and established leadership team.

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

A scalable model

We continue to strengthen our position in a fragmented regional UK market worth £3.8bn, building on a strong platform to grow organically, complemented by carefully selected strategic acquisitions.

A proven, mature and compelling platform for professionals attracted by the freedom from the constraints and ownership risk associated with partnership structures, together with security and unrestricted career development opportunities.

Culture, market and ever-increasing geographical coverage drives recruitment of talented professionals attracted by the opportunity to be equipped and empowered to target and secure high quality regional work.

Track record of unlocking value from acquisitions. Supported by our experienced integration team, acquired businesses are fully integrated into our business and our systems and processes, generally within three months and are fully culturally integrated within 12 months of acquisition.

Investment in our operational backbone, including our systems and technology platforms, provides an optimised and scalable platform for future growth, with fixed costs diluted as we grow.

This year we have entered two new markets through our acquisitions in Carlisle and Newcastle-upon-Tyne, adding to our existing platform for organic growth and recruitment.

Chairman's statement

I am delighted to introduce my first full year results as Chair of Knights.

Pleasingly, my first six months as Chair have confirmed my expectations that Knights is a quality legal and professional services business of scale, with a very driven, strong management team and a proven scalable operating platform for future growth.

Dave Wilson
Non-Executive Chairman

£150m

Revenue

£25.3m

Underlying Profit before tax*

As one of the largest legal and professional services businesses outside London, we provide the full scope of legal services, delivered to clients locally. This together with the truly collaborative culture I have witnessed, sets the business apart from traditional firms, and underpins its ability to provide premium services with on the ground expertise, without limiting the breadth of what we are able to offer.

It is these attributes, combined with the hard work of our talented professionals and executive management team, that have facilitated the delivery of a good performance in a difficult operating environment, amid ongoing macroeconomic uncertainty. Despite these challenges, and their impact primarily in the residential property market and on corporate transactions, the Group's financial performance was in line with the Board's and market expectations, with a significant rise in profitability.

The Group delivered revenue of £150m for the first time, representing growth of 6%, while underlying EBITDA post IFRS 16* charges reached £31.6m, up 21%. This is over four times the underlying EBITDA* reported when the Group floated on the London Stock Exchange's AIM market in 2018, an outstanding achievement. Reported profit before tax ('PBT') increased by 29% to £14.8m in the year.

On behalf of the Board, I would like to thank all our dedicated employees for their contribution to the delivery of this performance and our clients and our shareholders for their ongoing support.

Further Strategic Progress

Our strategy has delivered exemplary growth since IPO, and the management team pressed ahead with executing this during the year. The Group enhanced its platform both through acquisition, and by focusing on driving cost efficiencies and hiring the best people, positioning us well for organic growth and operational leverage in the year ahead.

We have a strong track record of executing a proven value accretive strategy to enhance our footprint through acquisitions. We added St James Law and Baines Wilson to our network in the year, which both provide good platforms for future organic growth and complement our existing presence in the North East of England. These businesses were attracted by our model and the benefits of being part of Knights for their next phase of growth, motivation shared with those businesses that have joined over previous years.

We also entered into a joint venture to form Convex Corporate Finance Limited ('Convex'). This boutique corporate finance business has a compelling proposition, supporting the founders of small and medium size enterprises through sales processes, which provides us with a service complementary to its M&A legal work, while providing Convex with access to our wider range of private wealth services. We are confident in the prospects of the business as M&A markets recover, with the businesses already benefitting from their symbiotic relationship.

Dividend

The Group's dividend policy, of paying 20% of underlying profit after tax*, balances the retention of profits to fund our long-term growth strategy with providing shareholders with a return, as our growth strategy delivers positive results.

The Board is proposing a final dividend of 2.79p, which, together with the interim dividend of 1.61p per share gives a total dividend for the year of 4.40p (FY23: 4.03p), an increase of 9%. The dividend will be payable on 27 September 2024 to shareholders on the register at 30 August 2024, subject to shareholder approval at the Group's AGM.

Summary

The Board is pleased with the Group's performance. We expect the good strategic progress we have made over the course of the year, as well as the work undertaken to enhance our platform, to support future organic growth, recruitment momentum, M&A opportunities and client wins in the year ahead, as we continue to scale across the UK.

With our national capabilities and deep expertise, delivered locally by a network of talented lawyers, we are confident of making further progress.

Dave Wilson
Non-Executive Chairman

5 July 2024

* See Glossary on pages 136 – 139.

Chief executive's review

Our performance for the year demonstrates that the continued successful execution of our strategy is delivering for the business and its stakeholders, despite challenging macroeconomic conditions, with FY24 underlying EBITDA post IFRS 16* charges more than four times the Group's underlying EBITDA* (the equivalent metric in 2018) at the time of our IPO.

David Beech
Chief Executive Officer

We continued to make considered strategic acquisitions, bolstering our scale in the North, an important region, and also diversified our service offering, won a number of new clients, and sharpened our focus on driving cost savings whilst improving operational excellence. As a result, our position as the preeminent provider of premium professional services outside London, with the ability to deliver a high calibre, full-scope service, locally, became even more firmly established.

Operationally and strategically, it was a year of two distinct halves. Early in the year, we expanded our presence in the North of England with two carefully chosen acquisitions which have since integrated into the Group well and are performing ahead of expectations. In the second half, we focussed on optimising operational gearing by making salary and administrative cost savings as we continued to drive future organic growth, enhanced by our joint venture with corporate financier, Convex, which further strengthens our foundation for diversified growth.

Momentum in recruitment has been good, with our strong reputation, scale, and differentiated model and culture continuing to attract quality talent to the Group from leading law firms across the country; during the year, 40 senior fee earners joined us, a 48% increase compared with 27 the previous year. As we continued to build our teams, we also secured a number of new and significant clients and extended our relationships with a number of existing clients. This demonstrates that our unique combination of scale, breadth of services, and locally delivered expertise is resonating with potential and existing clients.

A robust performance, reflecting the Group's resilience, scale and financial discipline

Our operating environment continued to be challenged through the year, with uncertainties impacting business sentiment, such as high interest rates, and the UK's mini recession, weighing on residential property markets and M&A activity in particular. Despite this, we were able to deliver our 12th consecutive year of profitable revenue growth, testament to the strength of the business and its diversified service offering and client base.

Total revenue for the year increased by 6% to £150m (FY23: £142m), reflecting the resilience of the Group and the tireless efforts of our people. Contributions from acquisitions accounted for 4% of the growth in the year. Revenues grew by 2% organically, with good growth in our non-cyclical work, particularly Private Wealth, Dispute Resolution, CL Medilaw, and our growing Regulatory team, which more than offset softer performances from the more cyclical Residential Property and corporate activities. If the reduced revenues in the housing and corporate activities are excluded, along with the reduction in insolvency revenue, due to the strategic decision to reduce this work stream, organic growth for the Group is 6% for the year. We also focused on cost optimisation, driving efficiencies through the business and fully achieving all integration synergies on acquisitions.

Debtor days for the year improved yet again to 28 (FY23: 30), demonstrating our strong discipline and market leading position in managing working capital.

Our Client Services Directors remain a core strength and a critical part of the business. As well as facilitating our unrivalled focus on cash management, as our local leaders, they maintain a focus on driving growth across the Group through strategic recruitment, winning new business and developing and enhancing key client relationships.

A strengthened platform for growth

Our differentiated model and strong corporate culture continue to set Knights apart within the industry, driving strong talent acquisition. The Group's agility, entrepreneurial spirit and speed of decision making in responding to evolving client demands and market conditions have been sustained despite our increasing size, and are instrumental in securing, motivating and retaining high quality talent. Attracted by this, and our scale, 40 senior fee earning professionals joined the business during the year. Acquisitions we completed during this and the prior year also brought new talent into the business and provided stronger platforms for recruitment in their respective regions, widening the pool from which we can source high quality individuals with strong client followings.

The deepening breadth of expertise within the Group is also driving wider business performance, with colleagues increasingly introducing specialists from across our network to offer a fuller service to their clients. This is testament to the power of our commercial mindset, which is becoming increasingly embedded across our teams, and a key example of our collaborative one team culture in action.

6%

Revenue growth
FY23: 13%

28

Debtor days
FY23: 30

40

Number of senior recruits

+62

Client NPS

* See Glossary on pages 136 – 139.

Chief executive's review continued

Together with growing recognition of Knights and its capabilities, it is this mindset that has helped to secure significant new client wins and led to an increase in the value of a number of our existing client relationships. It has also prompted a shift in the type of client we are able to attract, signalling a step change for the business as greater awareness of our comprehensive, premium offer gathers pace.

We are proud of the technology, centralised IT systems, and automation tools we deploy across our network. We aim to be at the forefront of implementing new technologies that can help us refine and enhance our internal processes and better serve our clients. In addition, we are trialling a number of AI-enabled tools, in partnership with technology leaders, to facilitate the delivery of services to our growing portfolio of clients. We have long been a market leader in deploying automation tools and innovative technology to drive workflow efficiencies, which has enabled us to operate a lean support function, as evidenced by our low ratio of non-fee earners to fee earners. Building on our past learnings, we recognise that a considered approach to emerging technologies is required and we are taking care to ensure we adopt the right tools for our business and our clients. While it is early days, we are excited about how these developments will help us to do more for our clients, more efficiently.

Executing our value-accretive acquisition strategy

A core part of our strategy remains the pursuit of considered acquisitions to drive future organic growth and consolidate the fragmented regional legal services market further. We focused more on acquisition activity in the first half, when we bolstered our regional footprint through two high quality acquisitions in strategic growth markets. As ever, we acquired firms that were not only a great cultural fit, but that also have clear potential to support the Group's future organic growth. We are delighted by how both these businesses have integrated, demonstrating our ability to realise synergies and realise value from the firms we acquire.

Strengthened presence in the North of England

During the year, we acquired St James Law and Baines Wilson, which both provide access to important markets, further diversification and strong platforms for talent acquisition in the region. They also support our growing brand awareness in the North of England, where our presence and reputation has been building steadily in recent years, delivering excellent results for the Group.

The acquisition of independent full service commercial law firm, St James Law, brought entry into Newcastle, an important strategic location and the financial centre of the North East, complementing our existing Teesside presence. It has already proved to be a strong platform for recruitment of high-quality talent, with six senior recruits having joined since acquisition.

The North East is one of the UK's largest markets outside London for legal and professional services. We entered the region in 2023, with the acquisition of Archers Law in Teesside. Since joining, our Teesside business has gone from strength to strength, delivering over 25% organic growth in its second full financial year as part of the Group.

We also acquired Baines Wilson, the leading commercial law firm in Carlisle. The firm offers corporate, real estate, dispute resolution and employment services, and provides us with entry into Cumbria. This acquisition has integrated well and is performing ahead of plan.

There remains a healthy pipeline of independent legal and professional services firms across the country, predominantly in locations outside major cities, seeking to join a group that offers the stability associated with a larger, more diversified business, the ability to offer a broad range of services at scale, and the benefit of a corporatised model over equity partnerships. This underpins our longstanding strategy to scale through acquisition, expanding our reach and enabling us to offer premium legal services, locally, across the UK and leverage our strong operational platform.

To pursue our value accretive acquisition strategy, a new, extended revolving credit facility was agreed during the year, providing total committed funding of £70m until November 2026. This new facility provides the headroom and flexibility for us to execute the right opportunities as they arise.

Convex joint venture

Towards the end of the financial year, we entered into an exciting joint venture with the former Convex Capital management team, to form Convex Corporate Finance Limited ('Convex').

Convex's primary activity is supporting vendors of entrepreneur-led businesses in maximising their equity value through sales to strategic acquirers globally. For us, entering into this partnership shows our commitment to diversifying and developing the range of professional services available to our clients, in this case, an expansion of our M&A services from purely legal to corporate finance. Through this venture, which is based in Manchester, Convex clients will benefit from our existing legal M&A and private wealth services and national scale.

While M&A market sentiment has been depressed, we are beginning to see signs of renewed confidence returning in the pipeline and are now even better positioned to benefit as activity picks up.

Employees at the heart of our ESG commitments

ESG remains central to everything we do, and we retain a relentless focus on developing a more sustainable business for all stakeholders. While our efforts span commitments across all aspects of our operations, this is particularly evident in our focus on culture, and our employee value proposition, which continues to drive momentum in recruitment and retention. We recognise that our talent is our greatest asset and strive to ensure that we are always improving our employee offering. We have a fierce commitment to fostering an inclusive, equitable, meritocratic environment, and we are proud that anonymous feedback provided to external consultants during the year signalled this was a stand-out cultural feature at Knights.

From an environmental perspective, while we remain a low carbon intensive business, we continuously seek ways in which to further reduce our emissions and drive energy efficiency across the group. During the year, we launched an EV scheme whereby colleagues can acquire electric vehicles through an approved salary sacrifice scheme, and in November 2023 also introduced a cycle to work initiative. We also seek to ensure that all acquired property meets minimum standards of energy efficiency, and during the year, we have focused on optimising our existing property portfolio.

Board changes

During the year, we were delighted to welcome Dave Wilson as non-executive Chairman of the Group. Dave brings more than 30 years' international board-level and operational experience to our Board, including in AIM-listed, acquisitive businesses. Since joining, Dave's insights and experience have been invaluable, and his contribution has already made a real impact.

Bal Johal stepped down from the Board at the same time, having served as non-executive Chairman of Knights since 2012. On behalf of the Board, I reiterate our thanks to him for his immense contribution to the business over the past 11 years, during which time the Group has seen significant growth.

Current trading and outlook and medium-term plan

Trading in the first few weeks of the year has been encouraging. Despite some continued macroeconomic uncertainty, we are seeing a strong recovery in the residential property market, and anticipate an improving corporate M&A market, which we expect to support organic growth in our revenues during the current financial year and beyond.

While the past three fiscal years have presented the Group with multiple challenges, the business has responded well to these and is now poised to build on the work we have done during the past year to strengthen our platform for future growth. We entered the new financial year as a more connected, better organised business, able to offer and deliver a far broader range of services to our clients than ever before.

This gives us great confidence that Knights is well-positioned to take advantage of improving market trends now, and longer term. We also have the headroom in our existing financing facilities and the expertise to add high quality acquisitions to our scalable platform, and we are encouraged by our active pipeline of opportunities.

We therefore expect organic growth to continue to improve in FY25, supported by sustained recruitment momentum and more new client wins, together with a more concerted approach to client acquisition and bringing more of our services to more of our existing clients, complemented by high-quality, considered acquisitions.

Looking beyond this year, we are focused on delivering an ambitious medium term plan to significantly grow the business, building on our success to date, the clear momentum across the Group, and market tailwinds. Through a combination of strong organic growth, complemented by our strong pipeline of acquisition opportunities, we are confident in our ability to double the business in the medium term.

David Beech
Chief Executive Officer

5 July 2024

Market opportunity

The regional market remains highly fragmented.

Large, highly attractive regional market, with vast opportunity for further consolidation.

Our competitive advantage

1 Unrivalled breadth of locally accessible specialisms

- Underserved locations with strong underlying demand for a broad suite of professional services
- Retaining deep local relationships with proximity to the client

2 Premium quality with a deep talent pool available at a lower cost

- Premium service built on speed, access and communication
- Diverse, specialised capabilities with a regional cost base
- Brand strength underpins ability to attract leading talent

3 Benefits of scale and a nationally recognised brand

- National scale attracts high quality work, enhancing employee experience and retention
- Efficient central functions enable significant and rapid cost out from acquired partnerships with enhanced service quality and breadth

Large and fragmented addressable market

Addressable regional legal market

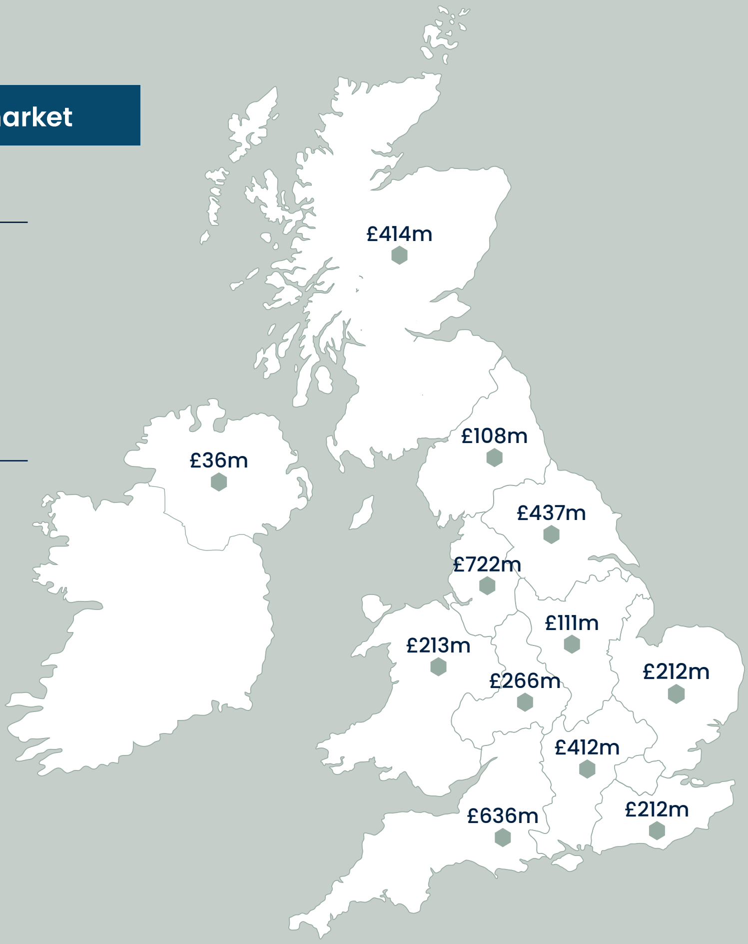
c.£3.8bn

Firms operating regionally with revenues of £2m–£75m

c.200

Opportunity to consolidate and professionalise a fragmented market

Ongoing active discussions with potential targets



The UK legal services market continues to demonstrate resilience in a challenging and ever-evolving operating environment.

The UK legal services market continues to perform ahead of expectations, despite operating in an environment impacted by macroeconomic uncertainty. The sector continues to face challenges over working habits, higher operating costs, increased regulation, changes in buying patterns, and access to funding.

The regional market remains highly fragmented

The UK legal services market is becoming increasingly diverse with large law firms, operating predominantly from London and internationally, at one end of the spectrum and high street and medium-sized independent firms at the other. Many are still operating under a traditional partnership or quasi-partnership structure, restricting their ability to be nimble and adapt quickly to change.

The evolution of the sector continues to accelerate, with more law firms likely to become stressed, or experience challenges in securing succession for retiring partners, turning to consolidation out of necessity rather than choice – compounding this polarisation and providing new opportunities to agile responders. Regional firms expect significant consolidation in the UK legal services market within the next five years. We are well-positioned to thrive as a result of this evolution, responding to challenges with rapid decision-making through our well-established corporate structure.

This agility underpins our growth ambitions enabling us to invest and grow at speed. In our addressable market for potential acquisitions, there are c.200 firms operating regionally with annual revenues of £2m-£75m and total aggregate revenues of £3.8bn.

Increasing and changing demand

The annual turnover of the entire UK legal services market grew by 8.3% last year to £47.5bn at current prices. It is expected to grow to £50.3bn in 2025, £57.5bn in 2026 and £61bn in 2027 (Source: IRN Legal).

Key drivers of change are national and international business environments, the way in which legal services are procured and delivered, and the continued development of technology and delivery systems, placing increased pressure on existing providers and new businesses entering the market.

In contrast, our model, size and capability means we see a changing market as an opportunity, with the consolidation in the sector driving more acquisition opportunities, faster recruitment and expansion into more service lines. We also have the financial resources to invest in our technology and new delivery platforms, including our in-house IT and technology development capability.

Continuing our acquisition strategy, we acquired two independent law firms during the last 12 months taking us into two new locations. Their successful integration has continued our ongoing penetration of the regional market in the UK.

Business model

Inputs

Clients

Seeking a premium service for optimum value

Professional Advisors

Seeking career progression in a collaborative, low risk environment

Owners of Law Firms

An opportunity to take their business to another level within a strong national platform

Key Strengths

Growth

A platform for organic growth

- Enlarged, mature and strong platform for organic growth through the hiring of new colleagues and winning new clients.
- Increasing breadth of services and a collaborative culture allows for the delivery of more services to clients.
- Focus on providing premium services with strong financial discipline leading to more profitable work.

Acquisition track record

- Experienced and dedicated team identifying and acquiring businesses.
- Unlocking value from synergies quickly and creating new value from enhanced opportunity sustainably.
- Operational experts in integrating businesses.

Corporate structure

- Established senior management team, with broad experience within and beyond the legal sector.
- Leadership team dedicated to running the business, freeing professionals to focus solely on clients.
- Corporatised platform enabling an efficient and disciplined commercial model with proactive and rapid decision-making.

Efficient and scalable platform

- Single primary IT platform driving efficiency, speed of service, and facilitating business-wide collaboration.
- Work quickly directed to the right expert or experience level, maximising value for clients.
- Teams rapidly assembled to deliver on short lead times, complex matters or high-volume client needs.

Cultural

An empowering culture

- Where our people can thrive in our collaborative environment without constraints and personal targets.
- One national collaborative team, optimising resources to create the best value and outcomes for our clients.
- Where professionals are empowered to adopt an entrepreneurial, commercial mindset.

Trusted advisors to clients

- Investing time in understanding their requirements.
- Delivering premium service with speed, accessibility, and responsiveness at its core.
- Long-term partner to clients seeking a high-quality service and respecting those who deliver it.

Financial

Cash and capital

- Highly cash generative, supporting investment in people, technology, infrastructure, and expansion.
- Profitable business with a low-cost base, strong balance sheet and industry-leading working capital management.
- Supportive banking partners and facilities of £70m available with £35m unused at the year end.

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

Grow Organically

Strategic Acquisitions

Creating Value

Delivering value for clients

We are focused on meeting clients' needs with a commercial mindset, strong local market knowledge and high levels of expertise.

As trusted advisors we spend more time with clients ensuring accessibility and quick delivery.

We are structured to deliver best value with high levels of service, underpinned by our 'one team – with you' approach and competitive regional cost base.

Accelerating career ambitions

Our new model is attractive to energetic, commercially-minded professionals with a merit-based approach to reward and progression.

Our rapid growth, broad expertise and a collaborative culture provides a platform for people to grow and thrive in a supportive environment with opportunity to work across local, regional, national and international markets.

We enable people to play to their strengths, with partners focused on delivering services to clients without the risk and distraction of running a business.

Unlocking value from acquisitions

We make strategic acquisitions, selecting businesses with a strong cultural fit, and people who share our vision.

We quickly unlock value from synergies, our greater resources and the adoption of our business principles and working practices.

Our growth is accelerated by bringing scale, enhanced operational infrastructure and expertise, enabling the delivery of more services to clients and winning new business.

Outputs

Clients

+62
Net Promoter Score*

>360
Clients generating fees over £50k

Employees

88%
Retention*

40
Partner and Senior Associate hires

Shareholders

21.81p
Underlying earnings per share* (pence)

11.2%
3 year underlying profit CAGR*

Communities

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

8%
reduction in paper usage compared to last year

* See Glossary on pages 136 – 139.

Scale the Operation

Exploit Data and Technology

Strategy

Our Vision

To redefine the legal and professional services sector in the UK regions.

Our strategic pillars

What we did this year

34
Partner and Senior Associate promotions

2
New locations

51
New colleagues through acquisitions

3.6:1
Fee earner/non-fee earner ratio*

20%
Increase in revenue from top 50 clients for FY24 (excluding one off Corporate, Integrar and CL Medilaw clients)

* See Glossary on pages 136 – 139.

Our Strategy

To create the leading premium, fully collaborative legal and professional services business across the UK regions.

Our priorities

Continue to increase the range of our specialist services.

Leverage the benefit of scale and increased brand recognition in the regions.

Continue to attract high-quality professionals with a client following from leading law firms.

Increase the number of professional services we provide to each of our clients.

Accelerate the growth of our client base and become established in key sectors including international markets and supporting in-house legal teams.

Become the provider of choice for individual clients through our Private Wealth team.

Remain a leading consolidator in the UK legal services sector by making selective, high-quality acquisitions.

Use our acquisition strategy and capability to enter new regional markets and accelerate growth in existing markets.

Realise targeted cost and revenue benefits, and then accelerate growth via our business model.

Continue to create increased efficiency and capability through investment in our operating platforms and our focus on continuous improvement.

Continue to invest in creating sufficient operational capacity to accommodate growth and sustain our agility.

Continue to accelerate the integration of new colleagues into the business through high levels of engagement and support.

Enhance our existing delivery platforms through system development and acquire complementary technology platforms.

Create greater economies of scale within our operational infrastructure.

Increase the use of actionable business intelligence to drive growth.

Enhance service to clients by accelerating speed of delivery and improving their efficiency.

Accelerate our investment in technology, process automation and workflows and the responsible adoption of AI-based applications.

Strategy in action

Grow Organically

Building our platform for organic growth.

We saw a return to organic growth of 2% overall during the year, despite continuing macroeconomic uncertainty which continued negatively to affect the housing market and M&A transactional work. This was achieved by maintaining our long-term strategy of focusing on premium service delivery, and taking strategic decisions to reduce or discontinue some underperforming service lines, including contentious insolvency and debt recovery. The underlying drivers of organic growth remain healthy as we continue to focus on high-quality, profitable work, which provides a strong platform for increased future organic growth. We have seen strong growth across several core service lines including, in particular, Private Wealth, Dispute Resolution, Construction and Clinical Negligence along with our growing Regulatory and Immigration teams. During the last quarter we also saw an increase in the volume of Residential Property transactions which has continued after the end of the financial year.

We invested in our organic growth strategy this year by:

Leveraging our scale and national reputation
Our increased size, capabilities, and visibility continues to cement our reputation as a premium service provider across the UK allowing us to attract exceptional talent and high-quality clients.

Our commitment to prioritising high-quality, profitable work and revenues over less profitable work from the competitive low to middle market continued to increase during the year and provides a robust platform for future organic growth as this strategy evolves and the business matures in the premium space.

Recruitment from leading law firms and highly regarded professional services firms has accelerated as partnership and equity-based models continue to become less attractive to the current generation of professionals.

The short-term buoyancy in the post-pandemic recruitment market which increased movement and churn across the entire legal sector has continued to subside and our lateral recruitment strategy centred on partners with a strong client following or network continues to accelerate.

Heightened awareness and visibility of Knights as a premium brand across the UK regions has continued to attract significant new clients seeking high-quality expertise and exceptional levels of speed, responsiveness and value. Our ever-increasing strength in depth and breadth of our capability, coupled with our unique collaborative culture with all our professionals working as one team means we are ideally placed to be the provider of choice for the clients we work with across local, regional, national and international markets.

Extending our service offering to our clients
Our commitment to working together in our offices combined with the continued expansion of our business into new regional centres has driven even greater collaboration and further increased our capability, meaning we are well positioned to drive organic growth by delivering a greater share of our clients' needs. This growth is driven by both the confidence our clients have in the Knights' brand, as well as a strong trust between colleagues to work together and facilitate introductions.

Expanding our range of services
Our combination of lawyers working alongside other professional advisors provides clients with complementary service offerings.

During the year we invested in a joint venture with Convex Corporate Finance Limited, a leading sell-side M&A advisory business, bringing natural synergies with our corporate finance and private wealth teams.

We continued to add to our range of specialist services, bringing in EU/competition expertise and adding to our data privacy and IP capability through the lateral hire of new partners.

"We have an exceptionally talented team and strong growth ambitions which we had not been able to fulfil under previous ownership. By management taking control of Convex, with Knights' investment and the two businesses working together we are already beginning to see the benefit to our clients of the Convex and Knights teams collaborating with each other. I am delighted Convex is back in the hands of entrepreneurs with a passion to continue to provide other UK entrepreneurs with best in class exit advice."

James Edge
Managing Partner –
Convex Corporate Finance

Diversified portfolio of services and specialisms.

Core services offering

29%

Real Estate
Expert, multi-sector advice in a broad range of commercial matters including asset management, plot sales, property litigation, construction, development and town planning

16%

Dispute Resolution
Expert advice for a broad range of disputes including breach of contract, professional negligence, defamation and reputation management and intellectual property

14%

Corporate & Commercial
Full suite of corporate & commercial services provided to international, PLC and owner managed clients, including M&A, restructuring, corporate governance, public procurement, contracts, IP and data privacy

6%

Employment
Range of commercial employment advice and training including disputes, restructuring, redundancy, HR support, immigration, investigations and trade union matters

16%

Private Wealth
Full range of services advising private individuals and families including landed estates, trusts, tax, wills & succession planning and probate

7%

Residential Property
Premium, partner-led conveyancing services for buyers and sellers including new build, freehold and leasehold, with additional specialist construction, planning and agricultural teams

Strengthened with other specialist services

3%

Integrar
A market leader in the provision of remortgage services for lending institutions / intermediaries such as banks, building societies, mortgage brokers, estate agents and financial advisors

9%

CL Medilaw
Specialist medical negligence and serious injury solicitors advising individuals and families

High growth, non-cyclical service offering

FY24 revenue split

Corporate service	Personal service	Other specialist services
65%	23%	12%

Corporate service Personal service Other specialist services

Strategy in action continued

In recent years, our acquisition strategy has been a key factor in helping us achieve critical mass and has enabled us quickly to establish the business across the UK.

Our increased size and expanded footprint have delivered a step change in the Group's reputation and visibility, expanding our client base and increasing our recruitment pool.

The business has now achieved a level of maturity with an established platform and approach to delivering acquisitions. These acquisitions provide the platform for future organic growth.

The Knights M&A model:

- Led by a dedicated M&A Director.
- Supported by the capability in-house to run transactions end to end.
- An established process to identify, execute and integrate acquisitions in a fragmented market.
- A clear plan from initial contact through acquisition and post-acquisition.
- Day 1 integration all on a single operating platform.

With a proven track record of delivering synergies and unlocking embedded value.

A highly differentiated proposition for sellers:

Progressive corporatised model

- Opportunity to exit outdated partnership model
- No exposure to financial ownership risk of partnerships
- Remove the burden of compliance for equity partners
- Allow partners to focus on clients and people

Accelerate growth & profitability

- National brand and scale to support new client acquisition
- Broad service portfolio to cross sell to existing clients
- Well invested group support functions and technology

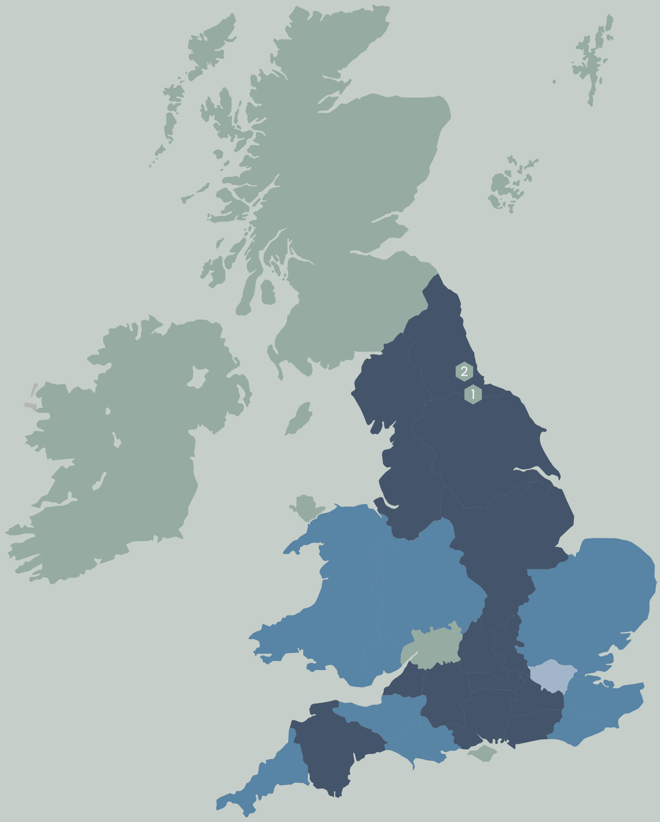
Superior proposition for employees

- Succession planning and investment in the next generation
- Enhanced career progression, underpinning talent retention
- Premium brand supports regional talent acquisition

“Joining Knights means we can now deliver legal services to clients in the region that we previously were unable to. The pragmatic and commercial approach fostered within Knights together with the 'one team' focus throughout the business has significantly accelerated our integration.”

Duncan Harty
Partner – Carlisle

An acquisitions strategy focusing on geographic in-fill and expansion across existing offices



Established presence   Near / medium term opportunity   Long term potential

Example offices scaling rapidly through the maturity curve

1

Teesside

Acquired leading player in Teesside with high quality professionals in Nov-21

New entry to a key focus market, with strong momentum

Recent success in securing work which had previously been directed out of the region, particularly regulatory and environmental projects

Margin profile maturing

Organic growth of >25% in FY24

2

Newcastle

Acquired in May-23

6 senior hires in the period to 30 April 2024, including introduction of new service line: EU and Competition law

Strong platform for organic growth in FY25

We acquired two regional law firms during the year

Building on our track record of acquiring high-quality businesses with a strong cultural and strategic fit, we have continued to execute our strategy by adding businesses to the Group which can facilitate entry into key markets, and either provide a platform for organic growth in the region, or that can be bolted on to build our presence in our existing locations.

During the year we entered two new locations in the North East and North West, considerably adding to our existing presence in those regions and unlocking new markets and opportunities.

The acquisition of St James Square in Newcastle-upon-Tyne provided an entry point into a significant market for legal and professional services. Now fully integrated and collaborating closely with our established teams in the North East, we are already seeing strong recruitment and interest from the local market, with 6 senior hires since acquisition.

The acquisition of Baines Wilson in Carlisle expanded our presence in the North West, giving access to a strong local market. Although we generally budget prudently for c.20% fee attrition, integration and financial performance have exceeded expectations, and we have seen no fee attrition post-acquisition.

"Our move into Newcastle is exciting because we have immediately provided colleagues and clients with access to our entire toolbox; from environmental and regulatory, to aviation, tax and immigration. We have also been able to recruit some first class talent with 6 senior hires in the first 12 months."

Lisa Shacklock
Client Services Director

Strategy in action continued

Scale the Operation

To support our growth plans, we maintain a constant focus on:

- Strengthening and developing our leadership within a one team culture.
- Our team of experienced Client Services Directors working together and delivering against our growth strategy within their regions and nationally.
- Investing in the operational infrastructure to support growth and underpin margin enhancement.

'One team' in a partnership-led, siloed UK legal services sector

Leadership responsible for embedding culture and integration

Knights
Strategy

Client Services Directors ('CSDs')

Local offices

Client services team facilitates a top-down and bottom-up approach within Knights

The CSD role – driving growth and collaboration across the group

Culture carrier to demonstrate Knights behaviours in action

Local decision maker to deliver **autonomy on the ground**

Integration of new recruits and acquisitions

Recruitment

Financial management of gross margin and cash generation

Business development and **growth**

Local key client contact

Leading corporate culture

c12% employee churn rate*

+15 Employee NPS*

Impact

One strategy and vision

'One team' culture instilled effectively to incentivise collaboration at all levels

Commercial structure & processes

Clearly communicated processes to drive operating efficiencies and facilitate instant synergies post-acquisition

Collaborative environment for people to thrive

Notes

* See Glossary on pages 136 – 139.

Unique, scalable operating model.

Well invested operational backbone

Centralised Business Services team to support group scalability

- Efficient, centralised approach to group corporate services
- Enables rapid scalability and immediate cost reduction following acquisitions

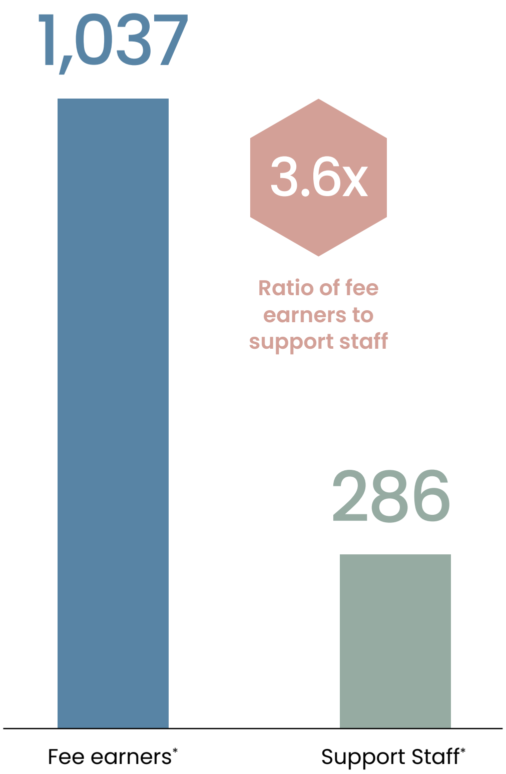
IT & technology **Compliance** **HR** **Records**

Office Services **Learning & Development** **Marketing** **Property**

Best-in-class offices designed for the future

- Best-in-class regional offices, embodying premium provider status
- Focus on collaborative, flexible working spaces
- c.25% capacity in existing portfolio (c.250 FTEs), supporting scalable organic growth

Sector leading fee earner: support staff ratio



Opportunity to increase this ratio over the next 5 years, leveraging the operational investments made in the platform and increased technology usage.

Notes

* See Glossary on pages 136 – 139.

Strategy in action continued

Exploit Technology and Data

Utilising technology to grow margin and differentiate our services.

We have created a robust, scalable platform able to integrate acquisitions in a matter of weeks. We maintain a constant focus on enhancing client service delivery by creating an experience both for our clients and colleagues based on speed and quality of service which differentiates us from our competition.

The use of technology across the business to support our premium services and to grow profitability is a core part of our strategy. Technology continues to enhance the way we operate, elevating efficiency, productivity, and client service.

Key components of our IT and technology strategy:

A single, scalable and robust platform
Our use of a single practice management software platform remains at the centre of our systems approach. Keeping client data in one system offers numerous benefits, including streamlining workflows, improved client experience, enhanced security, efficient collaboration, data analysis capabilities, and scalability. Our systems and operating environment allow for other complementary applications to work within or alongside our core platform.

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

Investing in development capability
We have continued to invest in our internal IT development resources and capabilities to broaden our technology skill set which reduces reliance on third parties to deliver projects and continuous improvement initiatives.

Having development and programming capability in-house allows us to customise and develop our platform and resources quickly, enabling an agile approach to introducing change and improvement across our systems. We believe this strategy will enable us to sustain a competitive edge as we look towards new and emerging areas of innovation.

AI integration
As AI technology evolves, we operate a continuous programme of reviewing, testing and adopting AI based applications, aligning with market-leading providers and bespoke platform suppliers.

Security
Continued focus has been given to ensuring we maintain the highest levels of data and IT security. We continue to work closely with our third-party IT security consultants on security focused initiatives including an ongoing programme of security testing and awareness.

Using data and systems to manage and drive organic growth effectively.
Having all our client data and information in one central practice management system means we are easily able to generate key management information and reports from a single source.

Having an internal team of IT developers enables us to create bespoke reports quickly to support the business, deliver on key business KPIs such as time recording, invoicing, cash collection, productivity, and organic growth.

One robust platform

One platform used by all

Single shared database

Robust IT structure

Enables a plug and play approach for acquired businesses

Technology strategy delivered in house

Knights

Technology strategy centred on driving sustainable efficiencies across core systems, and future proofing the model through next generation tech and AI

Dedicated senior technology leader, focused on driving technological change throughout the group

IT and Technology team accountable for identifying, piloting, developing and implementing emerging technologies

Recent initiatives delivered by our internal team	**Benefit to Knights**
AI-based service within residential property to machine read leases & create reports	Material hours reduction and margin increase as residential property work typically fixed fee
Automation and production of template precedent documents across all teams	Time savings on administrative work so fee earners can focus on value add workstreams
Automated email filing and action planning	Automated filing of up to 3,000 emails per day into cases with task lists created for team leaders
Legal tech platform integration to automate the residential property journey	End to end process automation benefitting support staff, compliance and lawyers

Responsible business

Building a sustainable business that benefits all stakeholders.

Knights is committed to building a sustainable, future-proofed business. A business that allows its stakeholders to thrive, empowers its people and the communities we are part of, minimises its environmental impact and operates ethically with the highest levels of governance.

These goals, which are fully aligned with the United Nations' Sustainable Development Goals, a plan of action for people, planet and prosperity, underpin the Group's investment case and are central to its purpose of transforming the way professional services are delivered.

The Group is also informed by guidelines from independent agencies such as MSCI and aligns with external disclosure recommendations, including those set out by the London Stock Exchange. We are proud of the continued progress we have made across Environmental, Social and Governance reporting, having initiated a strategic programme in 2020 to underscore our commitment to making a positive impact.

Managing our business for the long-term

Caring for our people and communities

Looking after the environment

"We continue to make good progress in delivering against our ESG strategy with our programme of property improvements and a new electric car scheme helping us to meet our long-term carbon usage targets. We are pleased to have introduced our employee value proposition alongside a range of additional benefits during the year and to see our 4 Our Community initiative continue to grow."

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

Our commitments and target.

Knights is a low impact, low carbon intensive business. We remain committed to improving what we do, including achieving net-zero in our own operations and across our entire value chain by 2050 or sooner.

We remain committed to our social responsibilities both internally and externally and maintaining the high level of governance already established within the Group. We are currently setting formal science-based targets with the assistance of an external consultant.

We commit to:	By:	Progress during FY24:
1 Reduce our carbon footprint by: • reducing our carbon emissions per employee by 10% in the short to medium term; • achieve net-zero in our own operations (scope 1 and 2 emissions) by 2050 or sooner.	Achieve a minimum energy performance rating of B on all newly refurbished offices Achieve BREEAM rating of 'very good' Upgrade aged and redundant systems with new efficient technologies such as LED lighting; lighting control systems (absence detection) and VRF heating and cooling systems Right size underutilised assets where feasible via subletting or surrender of any excess space Introducing electric company cars into the company car fleet Investing in audio visual equipment to reduce unnecessary travel between offices	• During FY24 existing property refurbishments have been undertaken in Brighton, Exeter, Lincoln, Newcastle, Teesside and Weybridge, with focus on optimisation of space, energy efficiency and use of technology such as LED lighting; lighting control systems (absence detection) and VRF heating and cooling systems • During the year our property portfolio has been managed to ensure we are rightsizing our space wherever possible including subletting excess space in Teesside, exiting offices in Manchester, Crawley, Southampton and Lancaster with colleagues transferring to other existing offices within the Group. As existing property leases approach renewal our internal property team is considering options to ensure our property assets are appropriate for our requirements in terms of both size and quality • During FY24 we have introduced an electric vehicle company car scheme allowing colleagues to acquire an electric car through an approved salary sacrifice scheme. As our central car fleet comes up for renewal we are introducing electric cars where feasible • We have augmented our energy management practices through the proactive collation of energy usage data to support the active management of positive behavioural change to reduce energy consumption • During the year we have invested in Audio Visual equipment as part of office refits carried out during the period ensuring that all offices have access to quality video conferencing equipment reducing the need for unnecessary travel
2 Support a reduction in employee commuting emissions by encouraging the transition to electric vehicles	Charging points to be installed where possible at office locations Launching a cycle-to-work scheme in FY24 'Think before you travel' guidance to be developed and issued	• Our Cycle to Work scheme was launched in November 2023 • Our Travel policy was revised during FY24 to actively encourage colleagues to consider whether travel is necessary, to consider car sharing and encourages the use of the extensive video conferencing facilities available in each office
3 Engage and educate our people on ESG matters to drive engagement and build ESG considerations into our every day	Regular programme of communication and training to be implemented	• Through FY24 we have developed internal policies to increase ESG awareness where appropriate. This has included training courses alongside overall awareness of ESG issues through our day-to-day behaviours • During the first half of the year, with the support of external consultants, we engaged with colleagues across all areas of the business to develop our Employee Value Proposition, identifying and capturing the values, opportunities and culture our people can expect from us in return for their skills, experience and commitment

Responsible business continued

Our commitments and target continued

We commit to:	By:	Progress during FY24:
4 Achieve net-zero across our entire value chain by 2050 or sooner	Environmentally sustainable procurement Identifying additional actions to reduce emissions as our strategy evolves and we benefit from advancements in technology and the transition to renewable energy more generally	As part of a brand refresh in September 2023, we moved a significant part of its consumable items to fully recyclable materials and wherever possible, items made from recycled materials including: • printer paper – now FSC and EU Ecolabel certified • pens – made from fully biodegradable PHA and refillable • pencils – made from certified wood sources in responsibly managed forests, contain non-GMO flower seeds or herbs and are fully plantable • notebooks – made in the UK from recycled ocean plastics, post-consumer waste and fully recycled paper • umbrellas – made from PET bottles, include donation to Water.org with AWARE tracer • replaced paper single-use business cards with a reuseable digital card • PEFC certified envelopes We have overhauled our cleaning and waste management consumables wherever we are in control of them including: • replacing all bin liners with 50% recycled liners • installing refillable glass hand soap and washing up liquid dispensers • buying bulk washing consumables from a certified Platinum zero-waste manufacturer We have rationalised our use of postal and courier services to eliminate any non-essential journeys instead combining them with other activities
5 Ensuring all of our employees are paid a minimum of the Real Living Wage	Regular reviews to ensure all employees continue to be paid above the Real Living Wage	• All employees continue to be paid at above the minimum living wage requirements. Reviews are carried out monthly to ensure ongoing compliance.
6 Increasing our social engagement in the community	Encourage increased engagement in our *4 Our Community* programme	• Colleagues continue enthusiastically to engage in voluntary work within their local communities through the *4 Our Community* programme in which everyone is encouraged to spend four hours every month assisting and volunteering
7 Continuing to develop an inclusive culture	Embedding of *Welcoming Everyone* approach to inclusion	• Our *Welcoming Everyone* approach to inclusion is firmly embedded in our equality based and meritocratic approach and within our friendly and welcoming culture. Anonymous feedback provided to external consultants during the development of our Employee Value Proposition this year this was the stand-out cultural feature

Managing our business for the long-term.

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

Managing our business for the long-term	Caring for our people and our communities	Looking after the environment
Aiming for the highest standards of corporate and social behaviour and running its operations with high ethical standards.	Fostering a diverse, team based, meritocracy-driven culture and encouraging community contributions.	Focusing on cutting our paper and carbon footprint.

Managing our business for the long-term

Board Composition

- Non-legal background 80% (4 out of 5) (2023: 80%)
- Independent Directors 60% (3 out of 5) (2023: 60%)
- Gender diversity 60% (3 out of 5 are female) (2023: 60%)

Accountability

- Board member accountable for ESG: Jane Pateman
- Independent Audit Committee chair: Gillian Davies
- Independent Remuneration Committee chair: Jane Pateman
- Internal General Counsel and Compliance team and Anti Money Laundering Officer
- COLP and COFA

Foundations

- ESG and Corruption fines: None
- Political contributions: None
- Compliance training: 82% of staff fully trained

Caring for our people and communities

Sentiment

- Employee NPS* +15 (2023: +20)
- Staff churn* 12% (2023: 18%)
- Client NPS* +62 (2023: +64)

Flexibility & Diversity

- Female Partners 44% (2023: 43%)
- Female Directors 32% (2023: 35%)
- Female promotions 67% (2023: 75%)
- Part-time colleagues 22% (2023: 20%)
- Part-time Partners 21% (2023: 19%)

People Investment

- 61 Trainee solicitors
- 27 Apprentices
- 6,801 hours of employee training
- 4 hours per month available for employees to assist in their community

Foundations

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

Looking after the environment

Consumption

- 8% reduction in paper usage compared to last year

Waste

- Hazardous waste 0kg
- Recycled/energy recovery 100% (when under our control)

Responsible business continued

Knights operates its business in accordance with the highest standards of corporate governance and conduct, overseen by a Board of Directors with a wide range of relevant skills and experience.

Board role, independence and diversity

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

Further details of the Board's role are set out in our Section 172 statement on pages 43 – 45 of this Annual Report.

The Board is comprised of two Executive Directors, the Non-Executive Chairman, and a further two independent Non-Executive Directors.

The Board believes that the Directors have an effective blend of financial and public market experience, diversity, skillsets, and capabilities. Our CEO, David Beech, is the only member of our Board with a legal background. The rest of the Directors bring a broad range of experience from various disciplines and a wide range of industries.

5
Board members

60%
Independence

80%
Non-legal background

Business ethics and compliance

Operating responsibly, sustainably and with integrity is a fundamental part of our culture and informs everything we do. It is also essential to the long-term success of the Group.

The Group is governed by the Solicitors' Regulation Authority and is subject to a range of regulations, including the AIM Rules and rules imposed on listed businesses by the Financial Conduct Authority as well as its own rigorous commitment to conducting its business to the highest standards.

We have a meticulous 'Know Your Client' process to ensure that its business is not used as a conduit for the proceeds of crime, terrorism, or money laundering. The Group conducts thorough audits on client backgrounds prior to working with them, and its dedicated, independent, in-house compliance teams rigorously monitor all work being conducted throughout the business on an ongoing basis.

Everyone receives mandatory compliance training during the onboarding process and are required to refresh this every year.

Anti-Bribery and Corruption

We are committed to maintaining the highest standards of ethics and compliance with all relevant laws wherever it does business. We do 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.

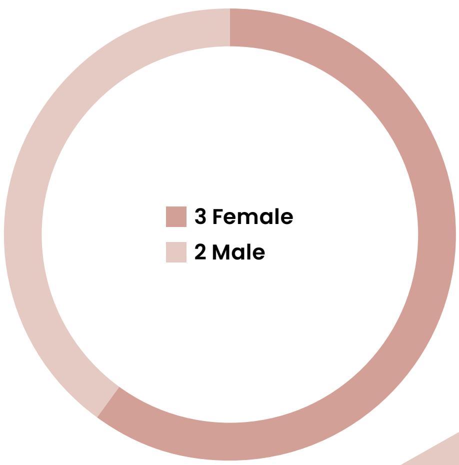
Whistleblowing

All employees should feel able to raise concerns about any safety, legal or ethical issues. If they feel unable to report these concerns to a manager, we also have an anonymous whistleblowing policy, available on its intranet.

Modern Slavery

We have a zero-tolerance approach to modern slavery anywhere in our supply chain. Our policy is available on our website.

Gender diversity



Caring for People and Our Communities.

Having become one of the largest, collaborative, regional professional services teams in the UK, Knights has the reputation, market positioning and size to recruit the best professionals in our industry who are attracted by the opportunity to join an open-minded, transformational and resilient business delivering a premium bespoke experience for clients.

We believe in giving people the freedom to discover and fulfil their full potential within a truly collaborative team-based business.

Our inclusive, people-first culture is a clear differentiator and something of which we are incredibly proud.

Excellence together

Excellence is the promise that we make to ourselves and for each other; defining the experience and environment we create at Knights.

We recognise the importance of helping our colleagues, clients and the communities in which we operate to thrive. We celebrate excellence, hold ourselves to high standards of excellence and encourage excellence in each other.

Working together without hierarchy and with high levels of communication and engagement supports and enhances our unique collegiate culture.

Our culture is simple. We support our people while giving them freedom. We focus on what people contribute, we reward people who deliver, we help each other, and we are honest.

Collaborating, sharing and coaching – as agile team players, we become increasingly effective, creative and successful together. We are proud of this approach and believe it makes us a stronger and happier business.

Our approach means we are increasingly diverse. We are proud that the percentage of female Partners remains high and that we benefit from the talent of a wide range of ethnicities, religious backgrounds and sexual orientations.

Excellence together is our commitment to our people, with our people and from our people – activated through our pillars:

- Your career, your path
- Difference with purpose
- One team

+62
Client NPS*

44%
Female Partners

22%
Part-time colleagues

88%
Retention*

+15
Employee NPS*

Notes

* See Glossary on pages 136 – 139.

Responsible business continued

Helping people thrive

Working life at Knights centres on creating a supportive environment which puts our people first and allows them to grow, set and realise their own ambitions. This makes us stand out. At Knights there are no glass ceilings or limits on how our people can progress. Our people are in control of their own careers.

Health and wellbeing

Focusing on the wellbeing of colleagues, and ensuring they are supported, happy and healthy is paramount to us. Our 'one team' collaborative culture is something of which we are immensely proud.

In FY24, we maintained focus on mental health awareness and extended this to nutrition and physical wellbeing. As well as providing all colleagues with access to Health Assured – a health and wellbeing platform that provides guidance, support and resources for helping colleagues in any circumstance - we held regular focused events across the business to enhance social inclusion, healthy eating and promote physical activity. We provide free fruit to all our colleagues every day, have extended the range of plant-based milk alternatives available every day and have created online content such as 'Pilates at your Desk' to aid wellbeing. Our focus has been on providing healthy, sustainably sourced food and beverage options with particular emphasis on catering for all dietary preferences including providing a wide range of non-alcoholic beverage options at all events.

Learning and personal development

Investing in the growth of our people is important to our business. Excluding our 61 Professional Trainees and 27 Apprentices who are enrolled in formal training programmes, our colleagues have received more than 6,800 hours of formal training across areas ranging from technical skills, business skills, and health and wellbeing. This includes specific, bespoke mentoring sessions for all those colleagues reaching key milestone promotions.

Salaries and promotions

Alongside our recent work to properly price the value that we deliver to clients, we conducted a full salary review by 30 April 2024 which has enabled us to deliver positive uplifts to colleagues across the business.

We are confident that the salaries we offer, at all levels, are competitive. We have also made 115 promotions during the year, reflecting how we continue to nurture and develop our talent and recognise high performance.

Work-life balance

We believe we are stronger, more creative and more productive when we are with our colleagues. We also coach and learn more effectively too. We continue to support and promote a balance between work and personal life to meet individual needs. 22% of colleagues work part-time, including 21% of Partners.

To enable colleagues to make individual decisions about their work-life balance we introduced the option to purchase up to five additional days holiday from January 2024.

Offices

Our offices are fundamental in supporting learning and development, collaborative working and building inclusive teams. That is why we continue to invest in best in class office space offering a modern working environment and capacity for future growth. Our focus for office design is on clean, simple, well maintained, uncluttered spaces with natural light, ambient temperatures, refreshing scent and calming décor to support colleagues' mental well-being.

Benefits

During the financial year, following feedback from our colleagues, we significantly increased the scope of our benefits available to all employees. As well as increasing the employer pension contribution to a minimum of 5% and increasing the amount of life assurance to 4 times salary for all employees we introduced a range of other benefits that our people can opt to participate in.

These benefits include an electric car scheme, a healthcare cash back scheme funded by the business, cycle to work, and a retail discount scheme amongst others.

We also introduced a Share Incentive Plan in January 2024. This provides a tax efficient way for employees to invest in the business and potentially benefit from future share price growth. For every two shares purchased by an employee Knights gives one share for free, subject to remaining with the business for three years.

Events and social calendar

We believe creating opportunities to spend social time and having fun together is important in supporting and promoting our team culture.

Our annual conferences have always been an important part of our calendar. Reflecting on our commitment to sustainability, reduced travel, reduced carbon footprint, minimising time commitment for colleagues, continued growth and to ensure that the events continue to provide the effective personal connections for which they are so valuable these were held across five separate locations this year in September 2023.

In January 2024, we held a further series of mini-regional conferences for the Client Services teams, further embedding our One Team culture and strengthening our internal network through social connection and collaboration.

Throughout the year we also run a calendar of events which are a combination of locally organised social events in our offices combined with nationally organised events such as World Mental Health Day and 'Brew Monday' which we often combine with charitable initiatives.

Nationwide efforts to support disadvantaged people

Our 4 Our Community programme ('4OC'), through which we encourage all our people to give four of their working hours each month to support local causes they care about through volunteering and fundraising, remains our primary national community-focused initiative.

Throughout the last year teams in all of our offices have come together to support organisations which make their communities a better place. In the process, our people have used 4OC time to provide mentoring, collect hundreds of Easter eggs and create festive packages.

Similar local initiatives run alongside and in addition to our 4OC programme, including combining appeals for donations to local foodbanks alongside our office social events.

Giving the Easter Bunny a hand

In the run-up to Easter, our people donated more than 1,000 Easter eggs to collections across our offices. The eggs went to foodbanks, charities and homeless shelters across the country.

Responsible business continued

Supporting our communities

Part of creating a healthy working environment involves enabling our colleagues to make an impact beyond the business. It helps them to feel good, build relationships outside the business and contribute to the communities in which we operate.

We believe those who help others are more engaged and better connected within the communities they serve as part of their work for our business.

This is why the our 4 Our Community ('4OC') programme is so important to us and has continued to grow as our business has grown.

Setting Manchester alight

Several people in our Manchester team braved the cobbles of the iconic St Ann's Square in the city centre to take on a barefoot fire walk across 700-degree Fahrenheit hot coals.

The event raised more than £25,000 for WeLoveMCR – a charity that supports local communities and young people in Greater Manchester.

Helping the homeless in Nottingham

Our team in Nottingham uses 4OC hours every month to support homeless charity Emmanuel House.

The team has served dozens of hot meals and drinks to residents at the charity's support centre so far this year. Emmanuel House supports people who are homeless, rough sleeping or at risk of homelessness in Nottingham.

The charity publicly thanked our team, saying: "we couldn't do this work without the support of the community and businesses like Knights".

Supporting Oxford trauma charity to get summer ready

A group of volunteers in Oxford used 4OC hours to tidy up the grounds at the HQ of childhood trauma charity Mulberry Bush.

The Mulberry Bush provides specialist therapeutic services to support people affected by childhood trauma – our team overhauled the gardens at the charity's education centre and residences.

The centre in Witney is set in five acres of green space and includes a sensory area that our hard-working team helped to tidy up for the warmer months ahead.

Taking the lead in Buckinghamshire

Tamara Fuller and Becky Clark from our Oxford office regularly help out at Stokenchurch Dog Rescue centre. They help staff clean the kennels, organise donations and walk the dogs – all paving the way for the dogs to be re-homed with loving families.

Spreading festive cheer in communities nationwide

Lots of colleagues used 4OC hours to serve hundreds of meals throughout December and over the festive period – taking time out to support foodbanks and homeless shelters. Serving warm meals, handing out care packages and sorting and distributing cold weather clothing in communities across the UK.

Looking After the Environment

Knights is a low impact, low carbon intensive business. It is deeply committed to minimising the environmental impact of the Group's operations by reducing carbon emissions and considering environmental and sustainability issues as part of all strategic and environmental decisions.

Climate Change and carbon emissions

We aim to reduce our emissions and ensure efficient use of all resources within our business. Our main use of energy is in relation to the day-to-day operation of our office locations. We aim continually to assess our real estate portfolio to ensure efficient use of space, rightsizing underutilised assets where feasible, as we have done this year in Teesside and Oxford, either through subletting or surrender of excess space. During the year we relinquished offices reaching the end of their lease terms in Manchester, Crawley, Lancaster and Southampton with colleagues relocating to other nearby offices. This consolidation of office space and the relocation of other acquired premises into suitably sized, modern, best in class office space is part of the Group's strategy to maximise energy efficiencies within the business.

When refitting and upgrading our office space we ensure that a large portion of the procurement is considered to be environmentally sustainable including furniture items such as our task chair which contains 20% recycled content, is 89% recyclable and Greengard Gold Certificated and our carpet which is a carbon neutral product.

We have reported as required on the Taskforce for Climate-related Financial Disclosures ('TCFD') on pages 36-40 and in accordance with The Streamlined Energy & Carbon Reporting ('SECR') regulations on pages 41 – 42.

The SECR report for the year shows a small increase in location based energy usage but a decrease in market based usage in absolute terms. Our intensity level ratios compared to revenue have decreased whereas ratios based on employees show a decrease at a market level, but a small increase based on location based usage. We continue to manage our property portfolio to right size properties acquired and expect to see reductions in our location based employee ratios in future years.

Paper reduction

Traditionally, law firms are heavy paper users. Our investment in technology and commitment to a 'paper-lite' way of working across the Group supports our aim to be continually below the industry average in terms of our paper usage. With our continued focus on investing in technology we aim to continuously reduce our paper consumption per employee from its FY23 level of 4,300 pages per employee per year. In FY24 we have reduced paper usage per employee by 8%. To add to this, the paper we use for everyday printing is now FSC and EU Ecolabel certified, free from ECF, ISO 14001 certified and finished to reduce toner use. Our branded stationery is also FSC accredited.

Waste management and recycling

We recycle wherever possible, including paper, cans, plastic, cardboard and computer equipment. Recycling bins are in all of our offices to ensure recycling is simple and easy for our people. We provide glasses along with water stations to reduce the use of plastic water bottles across the business. We have introduced glass hand soap and washing up liquid dispensers to reduce single use plastic, refilling using environmentally sustainable products; we have transitioned to using 100% bamboo toilet paper; using FSC and EU Ecolabel certified hand towels (which we fully recycle nationwide). We rapidly modernise the businesses that we acquire, improving their digital infrastructure and digitising all paperwork in offices on our platform. We also have a continuous programme to reduce the amount of paper in storage to reduce energy costs associated with storing excess paper. All paper taken out of offices and storage is recycled.

We engage with our electrical waste suppliers to ensure there is a high degree of re-use and recycling of our retired IT equipment. Redundant equipment is recycled by ISO 27001 accredited firms which are certified by the Asset Disposal and Information Security Alliance ('ADISA'). ADISA recycles as much of the equipment as possible. Any parts which are not recyclable are disposed of in line with the Waste Electric and Electronic Equipment Regulations 2013 ('WEEE').

Non-financial and sustainability information statement

Climate-related Financial Disclosures Regulations 2022 Statement.

We recognise the climate change risks facing the global environment, and we support the global transition towards a sustainable low carbon economy with a transition towards net-zero.

In this section we report climate related disclosures in accordance with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 which has requirements aligned to the Task Force on Climate-related Financial Disclosures ('TCFD') Statement.

This year our focus has been on continuing to refine our understanding of the climate-related impacts and related disclosures applicable to the Group. We have engaged with an external consultant who is completing a full review of our climate related issues and strategy ensuring that we develop challenging but achievable targets for the Group. We are also completing a full review of our current climate related governance structure to ensure all reporting requirements and governance surrounding climate related issues is up to date, in line with current guidance and considers likely future developments. This will be completed during FY25 and included in the annual report for that year.

We support the TCFD recommendations and are committed to implementing them, providing all stakeholders with full information on our exposure to climate-related risks and opportunities, aiding them in making informed investment and other decisions.

Governance	
Describe the Governance arrangements of the Group in relation to assessing and managing climate-related risks and opportunities.	The Board has ultimate responsibility for the Group's overall strategy and appetite for risk, including areas relating to sustainability, the environment and carbon emissions. The Executive Board sets our ESG and climate strategy and takes responsibility for the implementation of the ESG strategy including the impact of climate related risks and opportunities that this poses for the Group. The ESG Committee ensures that climate related matters are considered and reported to the plc Board as appropriate. Any specific climate related risks are included within the Group's overall risk register which is reviewed by the Board and the Audit Committee annually. Our ESG Committee and internal Business Services Directors ensure that all potential risks and opportunities are considered in all areas across the business including, but not limited to: Estate management, Procurement, Health and Safety, IT, HR policies and Finance. Any emerging risks are included within the Group's risk register which is then reviewed annually by the Executive and plc Board. Where potential opportunities are identified these are discussed internally at management meetings and actioned as necessary. Working with an external ESG consultant, we continue to develop the roles and responsibilities of the management team in assessing and managing any climate related risks and opportunities across the Group. Climate related issues are taken into consideration when reviewing and making strategic and operational decisions, considering risk management, preparing annual budgets, and assessing capital expenditure and acquisitions. Our continual focus on operating in a 'paper-lite' environment from Grade A highly energy efficient office spaces with a focus on utilisation of technology and audio-visual equipment to reduce unnecessary travel, demonstrates our commitment to ensuring our business strategy aligns with the need to focus on relevant climate related issues.

Strategy	
Describe (i) the principal climate-related risks and opportunities arising in connection with the operations of the Group, and (ii) the time periods by reference to which those risks and opportunities are assessed.	Our analysis of the key risks and opportunities in respect of climate related issues over the short, medium, and long term are summarised in the tables below. These opportunities and risks continue to be reviewed and updated in response to the evolving landscape and as our climate related strategy develops further. We have defined the length of our terms to align with the wider business strategy: Our short term is one to three years; medium term is three to five years and long term is over five years.
Describe the actual and potential impacts of the principal climate-related risks and opportunities on the business model and strategy of the Group.	Knights is a low-impact, low carbon-intensive business that aims to reduce its environmental impact by reducing carbon emission, waste and considering environmental and sustainability issues in all business decisions. Not only are we low-carbon intensive in our own operations but, through sustainable procurement, where possible, we aim to minimise our environmental impact across our entire value chain. Our intensity measure per employee is relatively low and we continue to explore opportunities to reduce this further by subletting or offloading underutilised offices and refitting old energy inefficient offices to Grade A, energy efficient spaces. Physical climate related risk is also considered low. Subsequently, our assessment of business activities did not identify any significant climate related risks that need to be reported in our Principal Risks and Uncertainties report on pages 57 – 61.
Describe the resilience of the business model and strategy of the Group, taking into consideration different climate-related scenarios.	As a low carbon-intensive business, we consider our organisation to be resilient to the risks identified in the tables below. We are in the process of completing detailed assessment of this with the support of external professional advisers to enable the Group to evolve this analysis further which will be fully detailed in the FY25 annual report. Whilst we recognise climate change creates some risks and uncertainties for our business, we consider the risk is low given there would be sufficient time to evolve our business model and activities to mitigate any risks.

Risk Management	
Describe how the Group identifies, assesses and manages climate-related risks and opportunities.	Risk management is an integral part of our governance, and we focus on the key risks that could impact our ability to achieve our financial and strategic goals. We recognise the impact that climate change is having globally and that it presents a risk and uncertainty to our business in the future. We consider climate change as an emerging risk to our business rather than a principal risk and it is included as such in the Group's risk register. As well as the potential risks that climate change itself poses to the Group, we perceive any failure to comply with required reporting is identified as a reputational risk. The Board and Audit Committee oversee the risk assessment framework across the Group through an established risk management register that is maintained by our compliance team. This framework ensures that we centrally capture, document, review and manage the risks facing the business. As part of this process, we work towards ensuring appropriate mitigating factors are in place for all risks identified. Climate related risks are managed by the Executive Board and management team and reported to the Board as part of the review of the risk register.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management process in the Group.	Climate and environmental related risks are considered in all significant business decisions and are included within our risk register as an emerging risk. We continually embed into our culture the consideration of climate and environmental related issues across our business.

Non-financial and sustainability information statement continued

Metrics and Targets	
Describe the targets used by the Group to manage climate-related risks and to realise climate-related opportunities and performance against targets.	As the Group has a strategy of organic and acquisitive growth, any measures and targets used to assess the Group's climate-related risks and impact are based on intensity levels as a percentage of absolute numbers of the full-time equivalent number of employees and revenue. The Group has set targets to reduce both the scope 1 and scope 2 location-based emissions by 10% based on the levels reported in April 2023 by 30 April 2028.
Describe the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculation on which those key performance indicators are based.	As a professional service business, the key areas that the Group is focused on in order to manage its impact on the climate are reducing the carbon usage of the Group per employee and as a percentage of revenue. As part of the annual SECR report the Group (assisted by an external consultant) reports on scope 1, 2 and 3 emissions in absolute terms. These calculations include all seven Kyoto protocol GHGs (CO_2, N_2O, CH_4, HFCs, PFCs, SF_6 and NF_3) and are expressed as tonnes of carbon dioxide equivalent (tCO_2e). These are then converted to the relevant intensity values using the average number of full-time equivalent employees for the period or reported revenue figure for the year as appropriate.

Risks and opportunity identification and assessment

We have categorised the climate related risks and opportunities as follows: Transition risk; Policy and Legal; Reputational; Market; and Technology as shown below.

Due to the nature of our business and our low carbon environment we have not identified any risks that will significantly impact on our short, medium and long-term strategy. We continue to monitor the risk and will consider further risks and opportunities as our climate related risk strategy is developed further and embed these climate related risks and opportunities into all strategic decisions.

Short term

We consider the short term to cover a period of up to three years which aligns with our financial forecasting period. In this period, we will continue to take a proactive approach to minimise climate related risks and maximise any potential opportunities. This will involve the following areas:

- Efficient use of office space (consolidation of any excess office space where possible);
- Where feasible, real estate and construction related procurements will be environmentally sustainable;
- Replacement of old inefficient energy systems with new more efficient technology such as LED lighting, lighting control systems (absence detection) and VRF heating and cooling systems;
- Switching to carbon-neutral energy contracts;
- Use of technology to reduce travel for individual meetings; and
- Ensuring compliance with all climate related disclosures and regulations (e.g. TCFD, ISSB).

Medium term

We define the medium term as a period of three to five years. Over this term we will focus on further identifying and managing financial risks and opportunities associated with climate change. Potential considerations are:

- Regulatory net-zero carbon requirements;
- Increased regulatory reporting; and
- Increasing energy and other related costs within the value chain.

Long term

In the long term, being a period over five years, we need to consider the implications of government policy, market trends and physical climate conditions:

- Impact of increased temperatures on our day-to-day operations and infrastructure; and
- The impact on our clients, suppliers and stakeholders on the UK's net-zero commitment.

Climate change related risks

Although we do not consider there to be any significant climate related risks and opportunities, the tables on the next page summarise the areas considered as part of our assessment of the potential impacts of climate change on the business.

	Risk	Potential Business Impact	Mitigation
Transition Risks			
Policy and Legal	Non-compliance with the enhanced reporting obligations.	With the emergence of more enhanced and detailed reporting requirements the management team need to ensure they remain up to date and ahead of reporting requirements to ensure there is the ability to comply with enhanced reporting obligations in a timely manner.	We have engaged an external consultant to assist with the detailed energy and emissions data reporting requirements. Training of key individuals on an annual basis to ensure full compliance with the emerging legislation.
Reputational	Increased expectations from investors, colleagues and clients for climate related issues to be a key focus in the strategy and to be clearly communicated across all stakeholders.	**Investors** Our reputation could be impacted if the Group was perceived not to be taking appropriate actions in connection with climate change and complying with all reporting requirements. This could potentially reduce capital available for investment if we do not meet investors' ESG requirements. **Colleagues** A poor reputation in the market in respect of our climate related position could impact the recruitment and retention of key individuals which is key to our short and long term success. **Clients** Clients are increasingly selecting suppliers and advisers based on ESG and climate related policies. Therefore, any perceived negativity around these policies may lead to lost clients and revenues.	Operating in a low carbon industry, the risk is considered to be low from negative climate related impacts. However, to demonstrate our positive approach towards addressing climate related issues we propose increased and improved reporting internally and externally on all climate related issues. Although we do not believe that we currently act for any clients believed to be high risk from a climate related risks strategy, we are in the process of developing a central policy for identifying clients and industries that may damage our reputation. Continual involvement of all Client Services Directors and Business Services Directors in the ESG strategy and ensuring it is fully embedded into our everyday actions is key to maintaining a positive reputation in this area.
Technology	We do not believe there are any risks to us in relation to the potential introduction of lower emissions technology.	Not applicable.	This area will continue to be monitored.
Market	Uncertainty over future costs of energy and other related operating costs.	Although we have relatively low energy usage, with 23 offices across the UK, an unexpected increase in energy and related costs could have an impact on profitability and margin achieved.	To keep its energy consumption as low as possible, we have a policy, wherever possible, to occupy grade A office space with highly efficient energy systems in place. Also, where possible we purchase energy on advanced contracts to ensure surety of pricing for the foreseeable future hence minimising any short-term impact. On an ongoing basis we review our business travel requirements to minimise unnecessary travel and identify reduction opportunities. We have been introducing electric vehicles to the internal car pool.

Non-financial and sustainability information statement continued

	Risk	Potential Business Impact	Mitigation
Physical Risks			
Weather	Changes in weather patterns and temperatures.	Increased costs from heating and cooling office spaces impacting the margin achievable.	Switching to more efficient and green energy sources across our property portfolio.
		Our business is dependent on our IT infrastructure. Extreme weather conditions could impact reliability of power supplies causing disruption to our ability to operate.	We have a Tier 3+ off site data centre with multiple paths for power and cooling supported by a dedicated generator that can run for several days without additional fuel, providing the ability to operate in any general power outage.

Climate change related opportunities

The table below summarises the potential climate related opportunities identified as part of our assessment of the potential impacts of climate change on the business.

	Opportunity	Potential Business Impact	Current status
Resource efficiency	Reduction in data storage	Reduced energy consumption, reducing operating costs and increasing margin.	We continue to review the amount and type of electronic data stored and make reductions in order to reduce data centre energy consumption.
	Recycling	Reduced operating costs.	We engage with our electrical waste suppliers to ensure there is a high component of reuse and recycling of our retired IT equipment.
	Office space kept under review	Reduction in establishment costs.	We keep the amount of office space utilised under close review. We will 'right size' underutilised assets where feasible either through sub-letting or surrender of excess space hence reducing heating and cooling requirements.
Energy Source	Use of lower-emission energy sources	Increased reputational benefits amongst colleagues and external stakeholders.	We will look to switch our electricity and gas contracts to carbon neutral contracts where possible, balanced with the need to also control total costs. When entering into any new office space we will aim to ensure that, where possible, these all meet minimum energy standards achieving a minimum energy performance rating of B and BREEAM of 'very good'.
	Use of new technologies	Increased reputational benefits.	We will continue to review the heating and cooling systems used within our offices.
		Reduced operating costs and more efficient use of time, increasing productivity and margin.	We continue to upgrade our conferencing facilities to enhance the virtual meeting experience, enabling colleagues to reduce unnecessary travel.

Streamlined Energy and Carbon Reporting.

Greenhouse gas emissions ('GHG') statement

We have reported scope 1, 2 and 3 greenhouse gas ('GHG') emissions in accordance with the requirements of Streamlined Energy and Carbon Reporting ('SECR').

This includes our stated emissions for the reporting year – the 12 months starting 01/05/2023 and ending 30/04/2024 with comparatives for the year ended 30 April 2023.

Energy and GHG sources included in the process:

- Scope 1: Fuel used in company vehicles and natural gas
- Scope 2: Purchased electricity
- Scope 3: Fuel used for business travel in employee-owned or hired vehicles
- All seven Kyoto protocol GHGs were included: CO_2, N_2O, CH_4, HFCs, PFCs, SF_6 and NF_3

The figures were calculated using UK government 2022 conversion factors, expressed as tonnes of carbon dioxide equivalent (tCO_2e).

Energy Efficiency Actions
Energy efficiency and climate change are at the centre of the Group's strategy.

In the period covered by the report, we have undertaken a number of energy efficiency measures including:

- Rightsizing and refurbishment of Olympic House at Lincoln – the project included installation of LED lighting, alterations to heating and cooling and optimisation of office space.
- Installation of solar shading at Bristol – works included solar glare and heat reduction film application to external glazing.
- Refurbishment of Riverside House, Teesside – the project included installation of new efficient HVAC systems, installation of LED lighting and optimisation of office space.
- Refurbishment of The Brampton, Stoke (ongoing) – the project includes removal of solid fuel systems, installation of HVAC systems, upgrading thermal efficiency of the building fabric and installation of LED lighting.
- Rightsizing of real estate footprint in Exeter, Lincoln, Teesside, Brighton, Sheffield and Newcastle. Executing the opportunity to optimise space and reduce unnecessary energy consumption.
- Procurement of new electricity supply contracts (where in our control) which are zero carbon, 100% renewable supplies.

Non-financial and sustainability information statement continued

Annual energy consumption (kWh)	**01/05/2023 to 30/04/24**	**01/05/2022 to 30/04/2023**
Electricity	**1,806,990**	2,708,773
Gas	**324,212**	346,388
Transport fuel	**987,634**	855,769
Total	**3,118,836**	3,910,930

Annual GHG emissions (tCO_2e)		
Scope 1		
Emissions from combustion of gas	**60.1**	63.2
Emissions from combustion of fuel for transport purposes	**16.0**	19.3
Scope 2		
Emissions from purchased electricity – location-based	**374.2**	523.8
Emissions from purchased electricity – market-based*	**311.1**	502.1
Scope 3		
Emissions from business travel in rental cars or employee vehicles where company is responsible for purchasing the fuel	**224.1**	185.7
Emissions from electricity upstream transportation and distribution losses and excavation and transport of fuels - location based	**122.5**	n/a*
Emissions from upstream transport and distribution losses and excavation and transport of fuels - market based *	**36.5**	n/a*
Total tCO_2e emissions (location-based)	**833.4**	792.1
Total tCO_2e emissions (market-based)*	**770.3**	770.3

Note

* Bristol, Carlisle, Chester, Exeter, Leicester, Sheffield, Staffordshire, East Sussex, Stockton-on-Tees and York offices use 100% renewable tariffs.

Annual energy consumption (kWh)	**01/05/2023 to 30/04/24**	**01/05/2022 to 30/04/2023**
Intensity (tCO_2e/FTE)		
Full Time Equivalent ('FTE') Employees	**1,323**	1,353
Intensity ratio: total location-based tonnes per FTE employee tCO_2e/FTE	**0.63**	0.58
Intensity ratio: total market-based* tonnes per FTE employee tCO_2e/FTE	**0.58**	0.57

Intensity (tCO_2e/£m revenue)	**01/05/2023 to 30/04/24**	**01/05/2022 to 30/04/2023**
Revenue (£m)	**150.0**	142.1
Intensity ratio: total location based tonnes per £m revenue tCO_2e/£m	**5.56**	5.58
Intensity ratio: total market based tonnes per £m revenue tCO_2e/£m	**5.14**	5.42
Methodology	GHG Protocol Corporate Accounting and Reporting Standard	

Responsibilities of Knights and Carbon Numbers

Knights Group Holdings plc was responsible for the internal management controls governing the data collection process.

This report has been compiled using the methodology laid out in the UK's Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance, published by BEIS and Defra in March 2019. Energy consumption has been derived from invoices and meter readings. GHG emissions were calculated using activity data provided by Knights in conjunction with the UK Government GHG Conversion Factors for Company Reporting (July 2023).

Scope and Subject Matter

The boundary of the report includes all UK offices that were operational for any time during the reporting period (Birmingham, Brighton, Bristol, Carlisle, Cheltenham, Chester, Crawley, Exeter, Kings Hill, Lancaster, Leeds (Majestic & Wellington Place), Leicester, Lincoln, Manchester, Newbury, Newcastle upon Tyne, Nottingham, Oxford, Portsmouth, Sheffield, Southampton, Stoke, Teesside, Weybridge, Wilmslow, York).

Section 172(1) Statement

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

This section of the Strategic Report describes how the Board acts in line with Section 172 of the Companies Act 2006, and continues to have regard for:

- the likely consequences of any decision in the long-term;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, clients and others;
- the impact of the Group's operations on the community and the environment;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the Group.

By considering the Group's purpose, vision and values together with its strategic priorities and having a process in place for decision making, we aim to make sure that our decisions are consistent and appropriate in all circumstances. We delegate authority for day-to-day management of the Group to the Executive Board and then engage management in setting, approving and overseeing execution of the business strategy and related policies. Board meetings are held bi-monthly at which the Directors consider the Group's activities and make strategic decisions. The Group's executive management team meet on a regular basis to discuss day-to-day operations and opportunities.

The disclosures set out below are some examples of how the Board has had regard to the matters set out in Section 172(1)(a) to (f) when discharging their Section 172 duties and the effect of that on certain decisions taken by them and how the Board seeks to ensure effective and continuous engagement with its stakeholders.

Engagement with Stakeholders

Shareholders

Constructive engagement with our shareholders supports the future success of our business. The Board is committed to an open dialogue and fair and equal treatment of all shareholders to ensure that shareholders are kept up to date with strategy and business performance. The Board receives regular updates on shareholder engagement and analyst commentary and receives presentations from corporate brokers on investor perception. The Board also takes advice and guidance from its advisers on what is important to shareholders in planning all communications. This ensures that all communication addresses any emerging key topics and provides sufficient information about the Group to reassure our shareholders that the Group continues to be in a strong position and remains a good investment opportunity. Knights' CEO and CFO have a full programme of engagement with shareholders and presents to the Group's largest shareholders, as well as market analysts, following the release of the full and half year results. The CEO and CFO also meet with individual shareholders throughout the year.

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

Employees

As a people business, our employees are at the heart of everything that we do and every decision that we make. The Board recognises that delivery of the Group's strategy requires strong employee engagement, and we pride ourselves on having an open and honest relationship with our workforce, empowering them to have their say, whilst ensuring they remain supported. The Board continuously monitors our culture to ensure that it is a positive environment which allows our employees to develop and grow. To achieve continuous engagement:

- the Group holds regular visits and meetings across all offices where our CEO and leadership team meet colleagues to discuss key drivers for the business;
- the Group holds annual conferences to present the results, vision and plans and at which employees are encouraged to have an open Q&A with the CEO with nothing being off limits; and
- the Board meets with various members of the leadership team throughout the year, through presentations at Board and Committee meetings and visits to offices to discuss the challenges and opportunities affecting the stakeholders and strategy of the business.

During the year the Group, together with an external consultancy, engaged with colleagues across all areas of the business to develop our Employee Value Proposition, identifying and capturing the values, opportunities and culture our people can expect from us in return for their skills, experience and commitment.

See page 29 for details of the results of the employee NPS programme undertaken during the year.

Section 172(1) Statement continued

Regulators
The Group continues to work hand in hand with its regulator, the Solicitors Regulation Authority ('SRA') and its complaints handling body, the Legal Ombudsman, to ensure that it abides by its professional and regulatory duties and obligations in an open and transparent manner. The Board conducts regular regulatory compliance reviews, with a dedicated compliance section in every board pack to analyse client risks. Through the CEO and CFO, the Board is in contact with the SRA and, as an AIM listed company, the Group is in regular contact with our nominated advisor and the Financial Conduct Authority.

Clients
Our clients' needs are considered at every level of the business, from the Board to our office hosts. Knights takes a proactive approach to communicating with clients, with the CEO and members of the leadership team meeting existing and potential clients regularly, to maintain our strong, collaborative working relationships. Regular feedback is given to the Board on the outcome of those client reviews to ensure that the business consistently considers opportunities to improve the client experience whilst maintaining its excellent responsive standards of advice. Nurturing existing client relationships and new client opportunities is central to one of the Group's strategic priorities, organic growth.

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. Our collaborative approach ensures all parties have a shared long-term objective of working together, reducing risk, maintaining high standards of business conduct and delivering to specific time and cost parameters. The Board plays a key oversight role in these policies.

Community participants
Our ESG strategy is focused on adding value to the communities in which we operate, and is detailed on pages 31 – 34 of this report. Detailed updates on this strategy and associated programmes of work are regularly provided to the Board.

Decision-making
Acquisitions and Disposals
The Group acquired two law firms during the year, providing additional scale, practice areas and presence in the North of England continuing its strategy to build the leading premium, fully collaborative legal and professional services business in the UK. The acquisitions provide enhanced revenue generation and new platforms for organic growth which in turn provide returns to shareholders in the longer term and 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 to ensure that executing the acquisitions would not adversely impact creditors' interests. The Board, in conducting its due diligence, also considered how each acquisition would fit with the culture of the business and the long-term value creation strategy of the wider Group.

Dividend
The Board declared an interim dividend of 1.61p per share in January 2024 and recommended a final dividend of 2.79p per share in July 2024 for the year ended 30 April 2024. In arriving at this decision, the Board considered both the cash position of the business and shareholders' interests. The Board considered that the business' cash reserves were sufficient to ensure the continued ability to meet all its obligations and its acquisition and investment strategy for the future.

Approval of the Budget
The Group's business plan is to drive sustainable growth in the long term, which is in the interests of all its stakeholders. The Board has paid close consideration to this objective in establishing and approving the annual budget and taking measures to continue to maintain excellent levels of cash collection and lock-up days, and to obtain the best interest rates achievable considering the wider economic environment. Given the current macro-economic climate, the Board has considered the impact of external factors on the Group's financial performance and ability to deliver for its stakeholders. The Group has no over reliance on any practice area, professional or individual client; has significant headroom in its banking facilities and therefore the Board considers the Group is well placed to continue to deliver a high standard of client service, maintain strong relationships with our suppliers whilst continuing to focus on minimising the environmental impact of the Group.

The framework through which we provide transparency on how we operate in line with current regulations is set out in the Corporate Governance report on pages 64 – 69 and in the Principal Risks and Uncertainties report on pages 57 – 61.

We also recognise that better corporate behaviours provide improved long-term returns and therefore ESG is a key focus for the Board. Our ESG commitments and metrics are set out on pages 27 – 28.

We continue to develop our approach to how climate related risks impact our governance, strategy and risk management and have disclosed our approach and current positioning relating to climate related issues in accordance with the Task Force on Climate-Related Financial Disclosures ('TCFD') on pages 36 – 40.

The table below summarises our Non-Financial and Sustainability Information Statement, prepared to comply with sections 414CB and 414CA of the Companies Act 2006. A description of the business model and strategy as well as the non-financial KPIs relevant to our business are set out in the Strategic Report on pages 14 – 30.

Requirement	Where to find further information	Page number	Relevant policies if applicable
Environmental Matters	Looking after the environment	29	ESG
	Climate related financial disclosures regulations 2022 statement	36 – 40	
Employees	Investment case	4	Health & Safety Policy
	Business model	14	Training Policy
	Caring for our people and communities	31 – 34	Diversity & Inclusion Policy
	Section 172 statement	43 – 45	Conflicts of Interest and Related Parties Policy
			Whistleblowing Policy
Society and communities	Caring for our people and communities	31 – 34	Corporate and Social Responsibility Policy
			4 Our Community
Respect for human rights	Managing our business for the long term	29	Modern slavery Policy
	Section 172 statement	43 – 45	Procurement Policy
Anti-bribery and corruption	Managing our business for the long term	29	Anti-bribery and Corruption
	Section 172 Statement	43 – 45	Anti-Money Laundering Policy
	Audit Committee Report	70	Whistleblowing Policy

Financial review

"I am pleased to report another year of profitable, cash generative growth with revenue of £150.0m, up 6% compared to the prior year (FY23: £142.1m) and underlying EBITDA* increasing by 16% to £38.7m (FY23: £33.4m)."

Reported profit before tax ('PBT') increased by 29% to £14.8m in the year (FY23: £11.5m). Our disciplined approach to management of lock up* has generated excellent cash conversion* of 131% for the year (FY23: 117%) resulting in a strong balance sheet position at the year end.

Two complementary acquisitions during the year, an investment in a joint venture, recruitment of partners with new specialisms and strong growth in certain service lines has further increased the diversity of the Group's revenue. This diversity has been key to enabling the Group to deliver these positive results for FY24 despite the headwinds experienced in certain business sectors such as housing and M&A, due to the increased cost of debt.

FY24 has been a year of consolidation. Following several years of consistent and rapid growth through acquisitions, we have focused on our core business platform, consolidating services and facilities where appropriate and maximising efficiencies. Management of our cost base and treasury resources has enabled us to deliver strong growth in profits with improvements in margins achieved.

Whilst managing our cost base, we have continued to invest in our infrastructure ensuring we have the necessary management team, property portfolio and systems and technology resources in place to sustain our future growth plans.

Kate Lewis
Chief Financial Officer

Financial results

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000	% change
Revenue	**149,957**	142,080	6%
Other operating income	**10,439**	6,718	55%
Staff costs	**(93,007)**	(88,412)	5%
Other operating charges	**(28,218)**	(26,539)	6%
Impairment of trade receivables and contract assets	**(489)**	(468)	4%
Underlying EBITDA	**38,682**	33,379	16%
Underlying EBITDA%	**25.8%**	23.5%	
Depreciation charges under IFRS 16	**(5,607)**	(5,706)	(2%)
Finance costs under IFRS 16	**(1,471)**	(1,474)	0%
Underlying EBITDA post IFRS 16 charges	**31,604**	26,199	21%
Depreciation and amortisation charges (excluding amortisation on acquired intangibles)	**(2,903)**	(2,469)	18%
Underlying finance charges (excluding IFRS 16)	**(3,402)**	(2,135)	59%
Underlying finance income	**23**	–	0%
Underlying profit before tax	**25,322**	21,595	17%
Underlying profit before tax margin	**16.9%**	15.2%	
Underlying tax charge (excluding impact of non-recurring deferred tax)	**(6,598)**	(4,304)	53%
Underlying profit after tax	**18,724**	17,291	8%
Basic underlying EPS (pence)*	**21.81**	20.20	8%

Revenue

Reported revenue for the year is £150.0m compared to £142.1m in FY23, an increase of 6%.

Of this increase, £5.1m was generated from acquisitions made during the year and £1.0m is from the full year impact of FY23 acquisitions, with the disposal of HPL (acquired as part of Langleys in FY22) in July 22 reducing revenues year on year by £0.7m.

The remaining increase in revenue of £2.5m was generated through net organic growth.

Organic revenues

We are pleased to report a return to organic revenue growth of 2% in the year despite the challenging macro-economic conditions, demonstrating the resilience of our business driven by the diversity of our revenue streams and client base. The strategic decision to significantly reduce our restructuring and insolvency team during the second half of the year due to poor profitability and our commitment to positioning the business in the premium market had a negative impact on revenue growth of 1%. The economic impact of the increased costs of debt on the housing market (a 19% reduction in revenue) and corporate transactions (a 9% reduction in revenue) had a negative impact on total organic growth of 3%.

Excluding the effects of these strategic decisions and the macro-economic conditions on the housing market and corporate transactions, organic growth was 6% for the year. Strong growth in our non-cyclical areas of the business such as Private Wealth, Dispute Resolution along with our growing Regulatory and Immigration teams demonstrates the opportunities available for future organic growth when macro-economic conditions stabilise.

Our organic growth during the year results mainly from improved pricing and the quality of work undertaken, together with the recruitment of partners with strong client followings and networks.

Revenue from acquisitions

The acquisitions of Coffin Mew, Globe Consultants and Meade King completed during FY23.

At acquisition we typically budget to retain 80% of acquired revenues. Other than Coffin Mew, where revenue has been impacted by the downturn in the housing market, the acquisitions are trading well and ahead of expectations. Current run rates for new housing matters acquired as part of the Coffin Mew acquisition indicate increases in revenue in FY25 to around expected levels. As well as driving the acquisition-related revenue, these acquisitions have continued to help drive organic revenues with recruits into these offices generating strong organic revenues in the year.

During FY24 we acquired Baines Wilson and St James Law. Both acquisitions have integrated into the business and are performing well and have contributed £5.1m of revenue in the year, which is higher than anticipated.

As well as contributing to acquisition revenues, both acquisitions are proving to be an excellent platform to generate strong organic growth with several new partner hires already being made into these offices.

* See Glossary on pages 136 – 139.

Financial review continued

Staff Costs

Total staff costs of £93.0m (FY23: £88.4m) have decreased as a percentage of revenue for the year to 62.0% (FY23: 62.2%) reflecting the continued discipline over cost control balanced against investing in the future growth of the business. This investment included the recruitment of partners and senior associates with good client following and networks as well as ensuring the appropriate leadership structure is in place providing a sustainable base for future growth.

Direct staff costs
Fee earning staff costs have reduced to 51.2% of revenue (FY23: 51.5%). This reflected a reduction in fee earner numbers through churn in some less productive and profitable areas of the Group and a continued leverage of the staff cost base through focus on improvements in pricing and recovery of client time. Pleasingly, we have started to leverage direct fee earner costs and improve gross margin whilst continuing to invest in the recruitment of new senior recruits to support our future organic growth. During FY24 we recruited 40 partners and senior associates (FY23: 27) representing investment for future organic growth.

Support staff costs
Support staff costs increased marginally to 10.8% (FY23: 10.7%). This is mainly due to delays in the timing of being able to leverage our past investment in creating an optimised operational platform due to the economic challenges affecting the housing-related and M&A service lines. FY24 has been a year of consolidation enabling the Group to focus on and benefit from process automation and centralisation of support services. This consolidation of support staff costs, whilst maintaining an excellent management structure to support future growth, puts the Group in a strong position to leverage this cost base in FY25 and beyond.

Other operating charges

Other operating charges of £28.2m have increased to 18.8% of revenue (FY23: 18.7%), again reflecting our investment for the future. During the period we refreshed our brand as well as investing in a review of our employee value proposition, an important investment in identifying and capturing the values, opportunities and culture our people can expect from us in return for their skills, experience and commitment. Investment in property, business development and office travel has also increased as we focus on building organic growth through building on existing client relationships, developing new client relationships and exploring new markets, including working with international clients and law firms requiring support in the UK. Whilst investing in these areas for growth we have also spent the year reviewing and consolidating supplier contracts maximising all synergy savings from past acquisitions. This has enabled us to manage our cost base whilst investing in business development, systems and technology necessary to support future growth.

Other operating income

Other operating income has increased to £10.4m from £6.7m driven by an increase in interest earned on client monies held due to higher interest rates in FY24 than the previous year.

Underlying EBITDA*

Underlying EBITDA* excludes non-underlying operating expenses. These expenses include transaction and onerous lease expenses in relation to acquisitions, contingent acquisition payments and one-off restructuring and professional expenses mainly incurred in the streamlining of support functions or strategic reorganisations. The Board considers this to be a key metric to measure underlying business performance.

Contingent acquisition payments are treated as a non-underlying expense as this represents payments for acquisitions which are dependent on the continued employment of certain individuals in the business for an agreed contractual period after an acquisition of one to three years to preserve the acquired goodwill and customer relationships. Accounting standards require such arrangements to be treated as remuneration in the Statement of Comprehensive Income. However, the individuals also receive market rate salaries, therefore, if not separately identified, these payments would significantly distort the reported results.

During the year, underlying EBITDA* increased by £5.3m to £38.7m (FY23: £33.4m) representing an increase in margin to 25.8% (FY23: 23.5%), mainly due to the increase in the net interest earned on client monies in the period.

IFRS 16 Depreciation and finance charges

The IFRS 16 rental and finance expenses represents the accounting charge in respect of all leases with a term of over one year. During the year total expenses of £7.1m have reduced to 4.7% of revenue (FY23: 5.1%) as we continue to focus on rightsizing our property portfolio which has grown through acquisition. During the year the property portfolio has been managed to ensure we are optimising our space wherever possible, including subletting excess space in Leeds and Teesside, exiting offices in Manchester, Crawley, Southampton and Lancaster, with colleagues transferring to other existing offices.

Depreciation and amortisation charges

The increased charge from £2.5m (1.7% of revenue) in FY23 to £2.9m (1.9% of revenue) in FY24 is due to continued investment in systems and investment in property upgrades and refurbishments to support growth.

Finance charges

Finance charges increased by £1.3m in the year to £3.4m (FY23: £2.1m) driven mainly by the higher level of UK interest rates.

Underlying profit before tax ('PBT')

Underlying profit before tax excludes amortisation of acquired intangibles, transaction, and onerous lease expenses in relation to acquisitions, contingent acquisition payments, disposals of acquired assets, one-off restructuring and professional costs mainly incurred in the streamlining of support functions or strategic reorganisations.

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

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Profit before tax	**14,831**	11,529
Amortisation on acquired intangibles	**3,580**	3,441
Contingent acquisition payments treated as remuneration	**2,824**	4,436
Other non-underlying costs	**4,087**	2,189
Underlying profit before tax	**25,322**	21,595

Total Group underlying PBT has increased by 17.3% to £25.3m (FY23: £21.6m).

The underlying profit before tax margin increased to 16.9% from 15.2% in the prior year benefitting from an increase in EBITDA margin, offset by an increase in interest payable.

Reported Profit before tax ('PBT')

Reported PBT for the year has increased 28.6% to £14.8m (FY23: £11.5m) reflecting the increased profit in the underlying business.

Taxation

The tax charge for the year is £5.0m (FY23: £3.6m) made up of a current tax charge of £5.2m (FY23: £4.1m) partially offset by a deferred tax credit of £0.2m (FY23: £0.5m) giving an increased effective rate of tax for the Group of 34% (FY23: 31%). The increase in current tax charge reflects the increase in profits before tax and the full year impact of the increase in corporation tax rates in April 23 to 25% from 19%. The effective rate of tax is 34% compared to the UK corporation tax rate of 25% due to disallowable expenses, mainly contingent acquisition payments.

The effective rate of tax on the underlying profit of the Group is 26% (FY23: 20%) again mainly reflecting the increase in corporation tax rates from April 2023.

Earnings per share ('EPS')

Basic EPS in the period increased by 24% to 11.47p per share (FY23: 9.28p per share). To aid comparison of EPS on a like for like basis, underlying EPS* has also been calculated based on the underlying profit after tax, calculated as set out below.

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Operating profit before non-underlying charges and amortisation on acquired intangibles	**30,172**	25,204
Finance costs	**(4,939)**	(3,661)
Finance income	**89**	52
Underlying profit before tax*	**25,322**	21,595
Taxation – underlying	**(6,598)**	(4,304)
Underlying profit after tax	**18,724**	17,291

The underlying EPS* has increased by 8% to 21.81p for the year (FY23: 20.20p). The weighted average number of shares used to calculate the undiluted EPS in the year was 85,840,067.

Considering the dilutive impact of potential share options, the basic diluted EPS for FY24 is 11.11p per share (FY23: 9.19p per share). Underlying diluted EPS has increased by 6% to 21.13p per share (FY23 20.00p per share).

* See Glossary on pages 136 – 139.

Financial review continued

Dividend

The Board continues to adopt a progressive dividend policy balanced with its commitment to continue to invest in the future growth potential of the business. Subject to approval at the Annual General Meeting in September 2024 the board proposes a final dividend of 2.79p per share. This together with the interim dividend of 1.61p per share brings the total dividend in respect of FY24 to 4.40p per share (FY23: 4.03p per share) representing an increase of 9%.

Balance Sheet

	30 April 2024 £'000	30 April 2023 £'000
Goodwill and Intangible assets	**86,900**	88,021
Right of use assets	**34,034**	38,200
Investment in joint venture	**50**	–
Loan to joint venture	**2,523**	–
Property, plant and equipment	**14,896**	10,004
Working capital	**53,125**	48,404
Other provisions and deferred tax	**(14,590)**	(14,823)
Lease liabilities net of lease receivables	**(38,573)**	(42,930)
	138,365	126,876
Cash and cash equivalents	**5,453**	4,045
Borrowings	**(40,617)**	(33,265)
Net debt*	**(35,164)**	(29,220)
Deferred consideration	**(2,941)**	(4,849)
Net assets	**100,260**	92,807

The Group's net assets as at 30 April 2024 increased by £7.5m to £100.3m (FY23: £92.8m) primarily reflecting profit for the year net of dividends paid in the period. The key movements in the Balance Sheet are discussed in more detail below.

Goodwill and intangible assets

Goodwill and intangible assets includes £24.9m of intangible assets relating to the Knights brand and customer relationships from current and prior year acquisitions. Purchased computer software amounts to £0.2m with the remaining balance of £61.8m relating to goodwill from acquisitions.

The Board carries out an impairment review of goodwill each year to ensure the carrying value in the financial statements is supportable. The value in use of the goodwill was calculated using a number of different scenarios, some of which assumed a considerably more negative outcome than is anticipated by the Directors. In all instances, the future trading of the business was more than sufficient to justify the carrying value of goodwill. Therefore, as at 30 April 2024, the Board is satisfied that the goodwill was not impaired.

Investment in, and Loan to joint venture

Towards the end of the financial year, we entered into a joint venture with Convex. We purchased 50% of the equity of Convex for £50,000 and provided loans of £2.5m. These loans attract a minimum interest rate of 10%. There are no set repayment terms in respect of these loans which are repayable from the profit and cash generated by the business, therefore they are classified as non-current assets on the balance sheet as at 30 April 2024.

Property, Plant and Equipment

During the year the Group has continued to invest in its business platform to ensure the necessary IT and property infrastructure is in place to support our future growth plans. We continued our programme of investment in our IT systems and technology investing £1.4m (FY23: £1.3m) in the year. After a period of expansion of our property portfolio through acquisitions, during FY24 we have carried out a review of our properties, rightsizing and subletting some offices as appropriate. As part of this review, we have also invested in the refurbishment of certain offices to ensure we offer quality grade A office space where possible across the business. During FY24 we invested £6.7m in our refurbishment of office space (FY23: £0.4m). This investment, net of disposals and depreciation has resulted in an increase in our tangible fixed assets, excluding leasehold property, of £4.9m to £14.9m as at 30 April 2024 (30 April 23: £10.0m).

Working capital

Working capital is calculated as follows:

	30 April 2024 £'000	30 April 2023 £'000
Contract assets	**40,191**	38,215
Trade and other receivables	**32,753**	31,087
Corporation tax receivable	**304**	152
Total current assets	**73,248**	69,454
Trade and other payables	**(19,935)**	(20,832)
Contractual liabilities	**(188)**	(218)
Total current liabilities	**(20,123)**	(21,050)
Net working capital	**53,125**	48,404

Net working capital has increased to £53.1m as at 30 April 2024 (30 April 23: £48.4m), an increase of £4.7m or 10% from the prior year. Whilst the combined total for contract assets and trade receivables have reduced marginally as a percentage of revenue to 48.6% as at 30 April 2024 (30 April 23: 48.8%), timing of supplier payments has reduced the trade payables balance by £0.9m compared to the prior year.

The management of working capital continues to be a fundamental KPI for the Group, with strong controls and systems in place to monitor the levels of receivables and work in progress across the business. The number of lock up* days (the time taken to convert a unit of time incurred into cash) is a key focus for the Board, Client Services Directors, and wider management team. As at 30 April 2024 lock up* was 78 days (30 April 23: 87 days). This decrease was driven by a reduction in debtor days to 28 days (30 April 23: 30 days) and WIP (work in progress) days of 50 days (30 April 23: 57 days). Due to the disproportionate amount of time that it takes to conclude certain work types, such as our CL Medilaw, Real Estate Investment and Insolvency matters, these work types are excluded from our WIP days calculation as exceptions, so as not to distract the majority of the business from focusing on achieving its excellent lock up* days. If WIP days were calculated including all valued WIP of the Group this would give WIP days of 85 days and hence a total lock up*, with no exclusions, of 113 days as at 30 April 2024 (30 April 23: 116 days).

The Group's strong controls over and focus on invoice collection continue to deliver excellent results with the bad debt charge for the year remaining at 0.3% of revenue, consistent with the prior year.

Right of Use Assets

The right of use assets capitalised in the Consolidated Statement of Financial Position represents the present value of property, equipment and vehicle leases. The decrease in the value of right of use assets during the year to £34.0m, from £38.2m as at 30 April 2023, resulted from an increase in assets of £7.0m relating to new leases acquired through acquisitions and the relocation of existing offices to new properties, less disposals and impairment of £5.6m as we terminate existing leases, and sublet excess space as part of our ongoing review of the property portfolio, less deprecation of £5.6m for the year.

Lease liabilities net of lease receivables

Lease liabilities net of lease receivables represents the present value of the total liabilities recognised in respect of the right of use assets, net of the present value of all amounts receivable in respect of any subleases of these assets.

The decrease in net lease liabilities and receivables in the year to £38.6m (30 April 2023: £42.9m) is the net impact of receipts and payments made in respect of existing lease agreements together with the impact of the lease receivable from the sublease of part of the Teesside office during the year together with the increase in lease liabilities from new leases acquired net of disposals of leases during the period.

Cash conversion, net debt*, financing and leverage

Cash generation continues to be a key focus for the Board and management team. The Group measures cash conversion by comparing the free cash flow from operations as a percentage of its underlying profit after tax*. As a result of the continued focus on this and specifically the management of lock up*, the Group generated underlying cashflows before capital expenditure of £24.6m during year equating to a cash conversion of 131%.

* See Glossary on pages 136 - 139.

Financial review continued

Cash flow

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Underlying EBITDA*	**38,682**	33,379
Change in working capital	**(3,549)**	(5,196)
Cash outflow for IFRS 16 leases	**(6,245)**	(6,728)
Movement in underlying share-based payment charge	**1,121**	1,248
Cash generated from underlying operations (pre-tax)	**30,009**	22,703
Tax paid	**(5,432)**	(2,424)
Net cash generated from underlying operating activities	**24,577**	20,279
Underlying profit after tax	**18,724**	17,291
Underlying cash conversion	**131%**	117%

The strong cash generation in the year has resulted in net debt* of £35.2m at the year-end (30 April 23: £29.2m) despite a cash outlay of £11.3m relating to acquisitions and investments in the year along with deferred and contingent acquisition payments paid for acquisitions in prior years. The continued strong cash conversion has also enabled us to invest £8.2m in our systems and property portfolio to provide high quality infrastructure to support our future growth strategy and focus on premium service delivery.

The table below shows a reconciliation of the key cash flows impacting the movement in net debt in the year.

	Year ended 30 April 2024 £'000
Net debt 30 April 2023	29,220
Other net cash (inflows) from operating activities	(24,572)
Deferred and contingent acquisition payments	6,162
Consideration paid for acquisitions in the year (including acquired debt and cash)	2,549
Unpaid acquired debt	638
Non-underlying costs paid	4,246
Interest on borrowings	2,965
Dividends paid	3,525
Investment in joint venture	2,550
Capital expenditure (net of landlord contributions)	7,881
Net debt 30 April 2024	**35,164**

In November 2023 we renewed and extended our revolving credit facility ('RCF') to £70m, committed until November 2026. As at 30 April 2024 the Group has c.£35m headroom in the RCF and is well within all covenants. For banking purposes our leverage as at 30 April 2024 was 1.1 times EBITDA (as defined for covenant purposes). Interest is payable on the loan at a margin of between 1.65% and 2.55% above SONIA dependent on leverage.

The Group is therefore in a strong financial position with sufficient headroom and flexibility within our financing arrangements to enable us to continue to execute our growth strategy.

Capital Expenditure

Capital expenditure (net of landlord contributions) during the year was £7.9m (FY23: £1.9m). The increase in the amount spent in the year compared to the prior year is due to the review of our property portfolio and the refurbishment of existing and acquisition of new office spaces as we look to consolidate our existing portfolio where appropriate, and invest in new and existing space to provide Grade A office space ensuring colleagues benefit from a high-quality working environment. Investment in office space and systems will continue into FY25, with circa £11m budgeted to be spent on completing the refurbishment of all existing offices together with the continued investment in our IT systems together to ensure we have top quality premises and systems in place to support our future growth strategy.

Acquisitions

During the year we completed two acquisitions and invested in a joint venture. The table below summarises the impact of these acquisitions on the cashflows during the year and in future years. This shows the consideration payable net of any cash in the acquired business.

The payment to the joint venture included a £50,000 investment in the equity of the business with the balance of £2.5m being a loan repayable from the future profits of the business. There is no agreed timescale for repayment of the loan therefore this has not been included in current forecast cashflows shown below, any repayments would therefore represent upside on forecast cashflows.

Financial year ended	Acquisitions of subsids (net of acquired cash) £m	Repayment of debt acquired with subsids £m	Contingent & deferred acquisition payments £m	Investment in and loan to joint venture £m	Net cash impact of acquisitions pre year end £m
2024	**1.9**	**0.8**	**6.2**	**2.6**	**11.5**
2025	–	0.5	5.2	–	5.7
2026	–	0.3	1.7	–	2.0
2027	–	–	0.3	–	0.3

The above includes estimated contingent acquisition payments as remuneration in the Consolidated Statement of Comprehensive Income.

Summary

Results for the year to 30 April 2024 reflect a steady year of consolidation enabling us to continue to build our platform to support future growth. We have seen both acquisitive growth and a return to modest organic growth during the year, with our scale and diversity providing good resilience against an uncertain macro-economic environment. The centralisation of many support services and continued investment in recruitment and business development places the Group in a strong position to enable it to leverage costs and deliver higher levels of growth as external markets improve.

Our continued excellent management of cash has resulted in a strong Balance Sheet with significant headroom in our banking facilities to fund future investment and growth, both organically and through acquisitions.

Kate Lewis
Chief Financial Officer

5 July 2024

* See Glossary on pages 136 – 139.

Key performance indicators

The management team uses key performance indicators ('KPIs') to monitor the Group's performance against its strategic objectives. These comprise financial and non-financial measures which are agreed and monitored by the Executive and Group Board.

The financial indicators are generally calculated based on underlying results excluding any one-off transactional and acquisition related costs as these underlying KPIs provide a more meaningful comparison of the ongoing key drivers of the Group's financial success.

The overarching focus of the Board is on overall growth in fee income and profitability, with a view to improving the profit margins achieved across the business whilst still maintaining a well invested business with a strong management and support function able to meet its evolving needs. With a continuing strategic focus on building a high-quality business, delivering a premium, profitable service to a high quality client base, the Executive Directors review all work streams on a continual basis, taking action to move away from any areas that are not profitable or aligned with the Group's overall strategy. In these instances, there may be a short-term impact on reported revenue growth, necessary to achieve longer term strategic goals.

The key financial measures are discussed in more detail in the Finance report on pages 46 – 53.

Financial KPIs

Revenue

£150.0m

FY24	£150.0m
FY23	£142.1m
FY22	£125.6m

Profit before tax

£14.8m

FY24	£14.8m
FY23	£11.5m
FY22	£1.1m

Basic EPS

11.47p

FY24	11.47p
FY23	9.28p
FY22	-3.02p

Underlying Profit before tax*

£25.3m

FY24	£25.3m
FY23	£21.6m
FY22	£18.1m

Underlying profit before tax margin*

16.9%

FY24	16.9%
FY23	15.2%
FY22	14.4%

Underlying EPS*

21.81p

FY24	21.81p
FY23	20.20p
FY22	17.23p

Gross profit

48.8%

FY24	48.8%
FY23	48.5%
FY22	49.3%

The Group has a long-term gross profit target of circa 50%. This varies over time dependent on the number and cycle of new fee earning recruits into the business. In general, new recruits into the business take 6 – 12 months to be at full run rate fee income. Therefore initially, new recruits have a negative impact on Group gross margin.

Cash conversion*

131%

FY24	131%
FY23	117%
FY22	109%

The Group continues to deliver excellent cash conversion which is an important KPI for the board and has resulted in a strong balance sheet despite acquisition related payments and investment in property during the year. This is described in further detail on pages 52 – 53 of the Finance report.

Net Debt

£35.2m

FY24	£35.2m
FY23	£29.2m
FY22	£28.9m

Monitoring of net debt is key to the Group to ensure sufficient headroom to invest in its growth strategy. With a RCF facility of £70m the Group has headroom of circa £35m at the year end giving significant capacity for future investment.

Number of fee earners*

1,037

FY24	1,037
FY23	1,077
FY22	1,015

This represents the average number of full time equivalent fee earners ('FTE') employed by the Group during the year. It includes all organic recruits, joiners via acquisition less leavers during the period. The reduction in the number of fee earners during the period is a result of a reduction in employees in our volume remortgage business, due to the current macroeconomic environment, impacting the work levels in this area and a reduction in the number of trainees and paralegals.

Fee earner to support ratio*

3.6:1

FY24	3.6:1
FY23	3.9:1
FY22	3.5:1

The above represents the average ratio of fee earners to non-fee earners during the year. This fluctuates during the year as we invest in Group support functions to provide a sustainable base for our growth and recruit organically into the business, leveraging the support function. It is also impacted by timing of acquisitions as we acquire businesses and then streamline support functions. The reduction in the number of fee earners in the period has impacted this ratio for the year, however the centralisation of support services during the second half of the year leaves the Group well positioned to increase this ratio in FY25.

Fees per fee earner*

£145k

FY24	£145k
FY23	£131k
FY22	£124k

This represents the average fees per fee earner across the whole Group and mainly reflects improvements in pricing across the business.

The reported figure includes the results of Integrar (our volume remortgage business) which has a different operating model. Excluding this the fees per fee earner over the 3 year period are:

FY24	£155k
FY23	£142k
FY22	£126k

Key performance indicators continued

Debtor days*

28 days

FY24	28 days
FY23	30 days
FY22	31 days

The exemplary financial management and credit control policies in place across the Group continue to deliver excellent results in maintaining low debtor days which in turn helps to generate the strong cash conversion year on year. Debtor days are measured on the year end trade receivables balance (excluding unbilled disbursements, expenses and VAT) as the number of days revenue, based on bills raised in the preceding periods.

Lock up days*

78 days

FY24	78 days
FY23	87 days
FY22	86 days

Measures the total time to convert a unit of time spent on a matter into cash. It is discussed further in the Finance report on page 51.

The measure excludes WIP on clinical negligence, insolvency and ground rents matter types as these work to a different lock up profile than the core business.

Including all valued WIP* in the lock up calculation would result in lock up days of 113 as at 30 April 2024 (30 April 2023: 116 days).

Client NPS score*

+62

FY24	+62
FY23	+64
FY22	+72

The NPS score measures the loyalty of our client base with a score from -100 to +100. A result of 62 shows very strong customer loyalty amongst the top 250 clients surveyed.

Employee NPS score*

+15

FY24	+15
FY23	+20
FY22	+24

The NPS score measures the satisfaction of our employees by asking if they would recommend Knights as a place to work with a score from -100 to +100. Although a lower result from FY23, a result of 15 is considered a good NPS score.

Carbon usage

0.63

FY24	0.63
FY23	0.59
FY22	0.47

The above measure shows the intensity ratio of carbon usage per employee measured in tonnes of CO_2 per employee. We continue to monitor our impact on the environment, ensuring that we are making continual improvements to our premises to work towards our ESG targets as set out on pages 27 – 28. The FY24 measure includes scope 3 emissions from electricity and transport that were not included in FY23. The FY24 figure calculated on a comparable basis to FY23 is 0.51.

* See Glossary on pages 136 – 139.

Principal risks and uncertainties

The board monitors both existing and emerging risks. Although many of the risks faced by the Group are similar to those risks faced by many other businesses, the principal risks and uncertainties outlined in this section reflect those risks that, in the opinion of the Board, might materially affect the Group's future performance, prospects or reputation.

Risk Management Processes

The Executive Board, supported by the Group's General Counsel, has management responsibility for risk and internal control. The Board sets our overarching risk culture and appetite through bi-annual risk meetings to review our risk register and incident reporting processes, ensuring that we manage risk appropriately across the Group. Investment, cybersecurity and regulatory risks are top priorities.

At a functional level, each operational business function is responsible for preparing and maintaining their risk register and, with the assistance of the risk team, identifying, assessing, managing and monitoring current and emerging risks within their function. Each risk is assigned an owner through which ongoing activities, control measures and any mitigating actions related to that risk are updated, whilst always applying the agreed risk appetite set by the Board.

Given that the very nature of our business requires our professionals to advise our clients on risk, our risk management culture is firmly embedded throughout our business with self-reporting mechanisms in place in each operational business function and amongst our professionals.

The nature of the Group's principal risks remain unchanged although changes to the net risk ratings are captured within the risk movement trends set out in the table below.

Principal risks

Professional liability and uninsured risks	Change in risk: –
Description The Group provides legal and professional services which give rise to the potential liability for negligence, breach of regulatory duties or other similar third-party claims. Such claims have the potential to cause financial loss and could also negatively impact the reputation of the Group which ultimately could adversely affect the financial performance of the Group.	**Mitigation** The Group maintains comprehensive professional liability insurance to reduce or mitigate against any financial risk from claims that may be made. Potential claims and complaints are dealt with by a central team within the business to ensure that they are handled effectively, and in line with the Groups' policies and procedures. The Claims team works closely with insurers and the relevant regulatory bodies to proactively identify and minimise risk. The processes and procedures implemented by the business are continually reviewed and amended to consider up to date guidelines and advice, which are then communicated to the professionals within the business. The Groups' professional duties to its clients are of paramount importance and the Board considers that the business has appropriate processes and procedures in place with a good overall claims history.

Key: No change –

Principal risks and uncertainties continued

Key: No change ☐

Regulatory and Compliance Risk	Change in risk: ☐
Description The legal sector is heavily regulated and the business is required to comply with rules imposed by the Solicitors Regulation Authority ('SRA'), Information Commissioners Office ('ICO'), Financial Conduct Authority ('FCA') and AIM amongst others. Non-compliance with any regulations could result in reputational damage to the business and may have financial implications. Employee misconduct and litigation. As a professional services provider, the Group is exposed to the risk that personnel may engage in misconduct or improper use of confidential client information. Such misconduct could damage the Group's reputation or result in regulatory sanctions and financial damage. Restrictions imposed by the Legal Services Act 2007 ('LSA') Knights Group Holdings Plc is a Licensed Body. The LSA places restrictions on the holding of 'restricted interests' in Licensed Body law firms so that the maximum shareholding that can be held, without prior SRA approval, by a non-lawyer shareholder is 10 percent of the issued share capital. If a non-authorised shareholder were to obtain a shareholding in excess of 10% of the issued share capital this would be classed as a criminal offence and the SRA could force divestment or revoke the Licensed Body status of the Group.	**Mitigation** The Group has a strong Compliance and Regulatory team which regularly monitors compliance with all necessary regulations. External advice is taken if required. The Board is updated on material regulatory developments and any reassessment of risk to the business so that it can ensure that such matters are fully considered in all business and strategic decisions. The Group aims to ensure that colleagues are appropriately trained, supervised and incentivised to ensure their behaviour and activities do not inadvertently result in poor outcomes for clients. Knights has recently obtained ISO 27001 accreditation, demonstrating that it follows international best practices for information security management, in addition to being Cyber Essentials Plus certified. Training on Knights Information Security policy is delivered annually to all colleagues and new recruits on induction and integration of an acquired business. The Compliance and Finance teams undertake regular audits of files and the group maintains robust processes to mitigate the risk of fraudulent transactions. The Compliance team works closely with the SRA to ensure there are no breaches. The shareholder register is reviewed regularly with the Compliance team working with shareholders to obtain appropriate authority from the SRA if there is the expectation that their shareholding may exceed 10%. A note is included on the company's website explaining the requirement, to prevent a shareholder inadvertently exceeding the 10% threshold without seeking SRA approval.

Operational Financial Risk	Change in risk: ☐
Description Like all professional services businesses, the key areas of operational financial risk for the Group include: incomplete recording of time worked by professionals in the provision of services to clients; incorrect valuation of contract assets (unbilled revenue); and failure to collect monies owed to the Group from its clients for work performed on their behalf or expenses incurred while performing the work.	**Mitigation** The Group prepares an annual budget on a bottom-up basis. The budget is phased on a monthly basis and includes specific assumptions relating to number of fee earning professionals; number of client hours per day and the recovery rate for the work done. Each month the actual performance of the Group is compared to the budget and the prior year period and material variances are investigated. This control allows management to identify potential areas of risk and to take appropriate corrective actions. Contract assets are valued monthly by the responsible fee earner. Once complete, this valuation is analytically reviewed to ensure it is appropriate and in accordance with expected recovery levels. The Group's standard credit terms are 30 days from date of invoice. The Group aims to collect all receivables in accordance with these terms. Debtor days and aged unpaid bills are monitored continuously to ensure that monies owed to the Group are collected on a timely basis. The Group has a robust system in place for chasing overdue debts, the effectiveness of which is demonstrated by its industry leading low levels of debtor days. Continuous training and engagement is undertaken with all colleagues by the senior management team regarding each of these areas of financial risk.

Key: No change

Employee Risk	Change in risk:
Description Being a 'people' business, the ability to attract and retain suitably qualified and experienced employees is critical to the Group's success. There is strong competition in the marketplace for employees and any difficulties in attraction and retention of quality and experienced employees could impact on the Group's ability to deliver the financial forecasts. 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.	**Mitigation** The Group has a continual focus on recruitment with recruitment being led by senior management, supported by an in-house recruitment team. The Group offers competitive remuneration and benefits packages, flexible working conditions and a no targets team culture, allowing individuals to maximise their job satisfaction and work-life balance. Employee contracts include appropriate provisions to protect the business where possible. An extensive training programme is in place for all employees allowing access to systems, skills and technical training resources. The Executive Board and management team engages regularly with employees to ensure that they understand the drivers and strategy of the business and to reinforce the transparent and collaborative culture, with regular regional, team and one to one engagement. During the year the Group has developed its intranet to enhance internal communications across the Group. The Board is responsible for the implementation of succession plans for the business to ensure the management structure in place is sufficient to support the future growth of the business.

Acquisition Risk	Change in risk:
Description A key part of the Group's strategy is to expand the business through culturally aligned, earnings enhancing acquisitions. The Group could overpay for, fail to integrate, or not achieve the expected returns from an acquisition. The Group may also fail to identify potential acquisitions to support its growth strategy.	**Mitigation** The Group has an experienced in-house acquisitions team with a strong track record for identifying, executing and integrating earning enhancing acquisitions. The acquisition team complete a robust due diligence exercise with expert external advice being sought where necessary. Warranties and indemnities are obtained from the sellers on each acquisition as appropriate. All acquisitions are reviewed and approved at Board level with the Board recognising that strong cultural integration is key to the success of every acquisition. The Group has developed a full integration plan and acquisition which is under continuous review and refinement, incorporating learnings from each acquisition for all stakeholders. The Board considers that the professional services market will continue to consolidate providing sufficient acquisition opportunities to support its growth strategy.

Principal risks and uncertainties continued

Key: No change ☐

Macro and Micro Economic Environment Risk	Change in risk: ☐
Description Current uncertainty in the market as a result of:	**Mitigation** The Board believes its exposure to both macro and micro economic environmental factors is limited because.
political instability in Ukraine and the Middle East;	The Group has processes in place to continually monitor any exposure to countries with sanctions and is satisfied that there are no areas of concern. The Group's operations are all based in the UK.
general economic downturn and the cost-of-living crisis/inflation;	Within the Group there is no reliance on any one practice area, client or professional resulting in the business being resilient and well positioned to withstand the effects of economic headwinds that might impact particular sectors or the broader economy. Given the Group's regional base, and the fact that it offers competitive remuneration packages there is limited exposure to the significant wage inflation that has been experienced in London. The Group continues to focus on maximising operational efficiencies to mitigate impacts of inflation on its cost base. In recent years the Group has demonstrated its ability to flex its cash flows to preserve liquidity if needed by cancelling dividends, reducing non-essential spend and focused cost saving initiatives.
the potential for disruptive technology driven innovation that could impact the competitiveness of current service offerings; and	On an ongoing basis, the Group seeks to be an innovation leader through its use of technology to create a competitive advantage. The Group's continued focus on cash collection results in it being able to invest in technology.
many potential competitors within the legal and professional services market competing for the Group's professional employees and clients.	The Group expects current macroeconomic conditions and the decreasing appeal of the traditional partnership or quasi-partnership structure of many law firms, which often requires personal investment from partners, to support the recruitment strategy of the Group. The well-established corporatised model along with the increasing scale and quality of professional and clients allows high quality professionals to earn a competitive salary without the need to have capital at risk.

Reputation and Brand Risk	Change in risk: ☐
Description Knights brand and the reputation of the Group and its professionals are driving factors behind the success of the Group. Anything that damages the Group's brand or reputation could negatively impact the future success of the business. Damage to the Knights brand could have a detrimental impact reputationally which ultimately could have financial implications for the Group.	**Mitigation** Management has in place detailed processes to ensure that all work is undertaken in accordance with the Code of Conduct and Professional Ethics. New clients and matters go through an internal acceptance process that includes a comprehensive risk assessment which is under continual development to ensure that all aspects of risk are considered. This includes the potential impact of each engagement on the Group's integrity and reputation. Regular internal audits are undertaken to identify areas of non-compliance with our policies and procedures. The employment contracts for all employees also contain appropriate provisions regarding the standards expected and preservation of confidential information. An open, candid and non-hierarchical culture is nurtured whereby all colleagues are expected to behave in accordance with the internal processes and standards in place. The Group takes appropriate steps to protect its intellectual property rights. Corporate profile is a key part of the Board's strategy and external public relations advisers are engaged to assist where necessary. The Group continues to closely monitor press communication ensuring that it continues to respond quickly to press activity in line with the agreed strategy to mitigate any brand/reputational damage.

Key: No change

Information Systems, Data Security and Cyber Risk — Change in risk: No change

Description

The Group is heavily reliant on its information technology systems for all day-to-day processes. A major IT system failure, a malicious attack, data breach, vulnerabilities created by AI or a virus could impact the ability of the Group to operate having both reputational and financial implications.

Because of the complexity and speed of development of AI solutions it becomes harder to identify in an effective and timely manner existing risks which become enhanced as a consequence of new technologies.

The risk of a cyber-attack continues to increase within the professional services business as it does for all businesses operating using technology. The key risk to the Group is from the potential of malicious hacking of IT systems creating risks to the confidentiality of client data and potential related ransom attacks.

Mitigation

The Group's systems are supported by appropriately qualified and experienced individuals and third parties. External expert advice and support is sought when necessary and the Group has a dedicated IT security team.

The Group has recently received ISO 27001 accreditation in respect of its information security management standards. Critical systems failure and recovery are regularly tested, and no issues have been identified.

The management team liaise regularly with their key suppliers to continue to develop and improve the operating systems utilised by the Group.

External advisors undertake full regular penetration tests on the Group's systems and work to ensure that the security and integrity of the Operating System is at its optimum level mindful of new and emerging technologies which may make traditional technology solutions subject to heightened risk.

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 due to environmental factors (such as cybercrime and ransomware attacks), the business and colleagues are aware of any heightened risk. Beyond training, Knights open culture and team ethos delivers a supportive, high communication environment which ensures colleagues can ask questions and be guided as required, which results in regular monitoring and reporting.

Emerging Risks and uncertainties

The Group defines emerging risks as, generally external, new or unforeseen risks, that may affect the business in the longer term (over 5 years). The impact of the risk may be material to the Group but is currently difficult to quantify. The Board continues to monitor the issues surrounding any emerging risks identified to ensure that the Group is taking a proactive approach to mitigating the impact of any of these risks.

Sustainability, climate change and reporting requirements — Change in risk: No change

Description

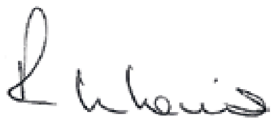
Focus on environmental, social and governance matters continues to increase and our business needs to be environmentally responsible and create shared value for all stakeholders to ensure sustainability and reinforce our values. Climate risk is a key priority for governments and organisations globally, and Knights recognises that it needs to play its part in reducing carbon emissions and its environmental impact.

Although there are no significant revenue streams derived directly from energy and fuel markets, as the UK transitions to net-zero carbon emission economy by 2050, we need to closely monitor the impacts on our business to ensure there are no indirect impacts through client relationships and that our revenue streams remain sustainable.

Mitigation

The Executive Board have overall accountability for our climate and social responsibility agendas. We align our business strategy and decision making processes with reducing carbon emissions, and continually assess our approach to environmental risk and social responsibility. We have a breadth of policies and processes governing our social responsibility strategy and continually assess and evolve our strategy, working practices and supply chain arrangements to ensure the best outcomes for stakeholders and the environment.

The strategic report and the information referred to herein was approved on behalf of the Board on 5 July 2024.



Kate Lewis
Chief Financial Officer