Knights

Annual Report and Accounts
30 April 2024

Knights

Unique in our sector, Knights is now recognised as a leading regional legal and professional services business in the UK.

With national presence and a well-developed operational platform, we have become one of the largest collaborative legal services teams in the UK, built upon the foundations of a mature commercial structure within a corporatised model and our strong culture. Knights is now increasingly recognised as the business of choice for clients and professionals seeking a premium service experience across the UK regions.

Our proven model has created a strong and resilient platform for growth which means we are now established and recognised as a regional market leader, consistently delivering high quality services to our clients across an ever-increasing range of services and sectors.

A premium national brand with an integrated one team approach.

Our commitment to delivering a premium experience means the Knights brand has become synonymous with the provision of consistently high-quality services across the UK regions. Free of structural and cultural constraints, all our professionals work together in full collaboration to bring their collective skills and expertise to all our regional markets.

This distinctive model and approach brings a unique proposition for both clients and professionals, which means we can attract the leading talent and businesses in the UK regions.

Our continued success and growth are underpinned by our teams working closely together and being connected across the whole business. Our Client Services Directors and Business Services Directors bring a unique combination of strong, invested and highly engaged local and regional leadership working together as one national team with a shared vision and purpose.

Our business model continues to show resilience across the economic cycle, providing a strong platform for further geographical and organic growth, driven by our experienced leadership team.

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.

Strategic Report

Corporate Governance

Financial Statements

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

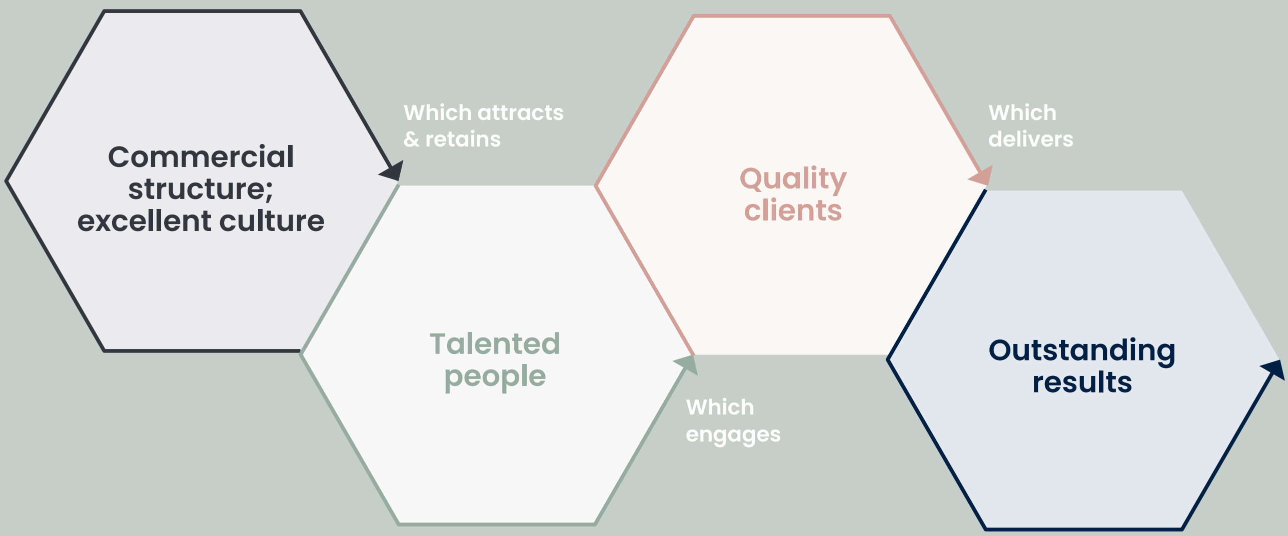
Scalable structure

- **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.

Underlying profit before tax*	Fee earner: Non-fee earner ratio	Working capital lockup days*
£25.3m	3.6:1	78 days
Profitable growth (2023: £21.6m)	Robust platform for growth (2023: 3.9:1)	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

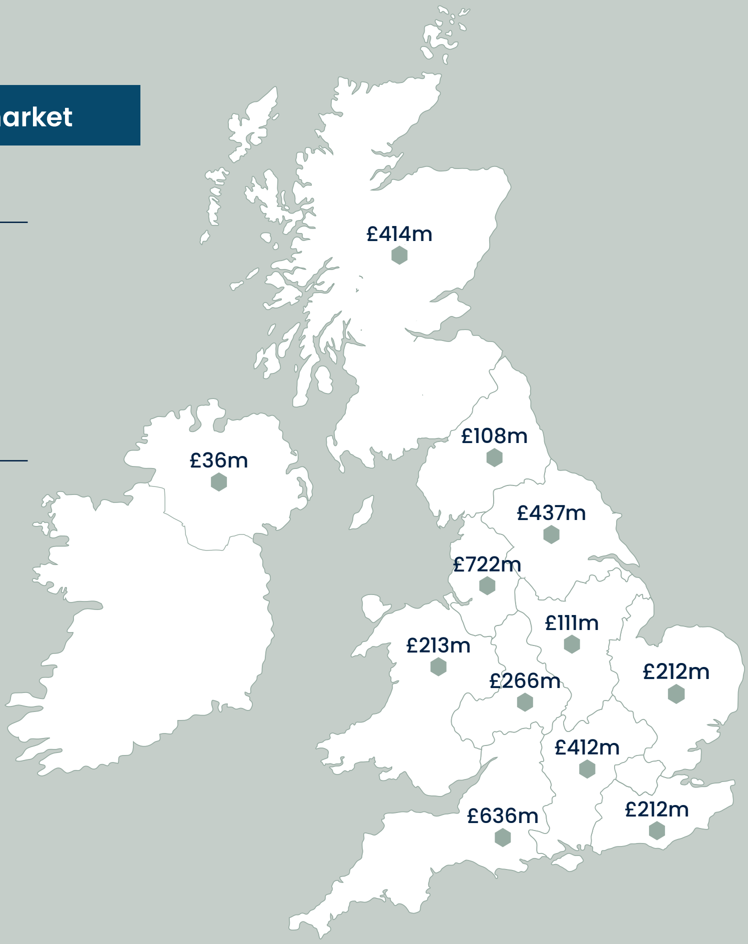
c.£3.8bn

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

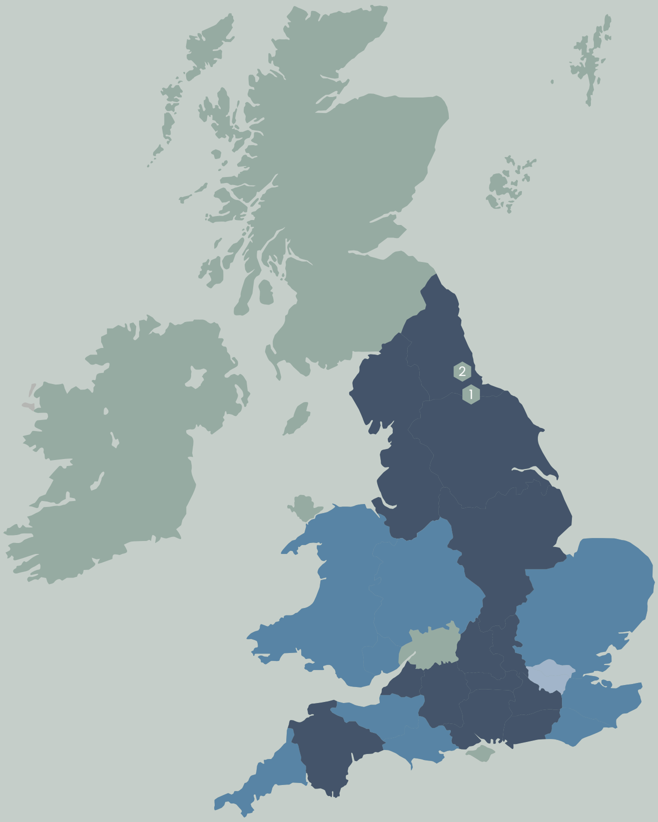
Superior proposition for employees

- 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

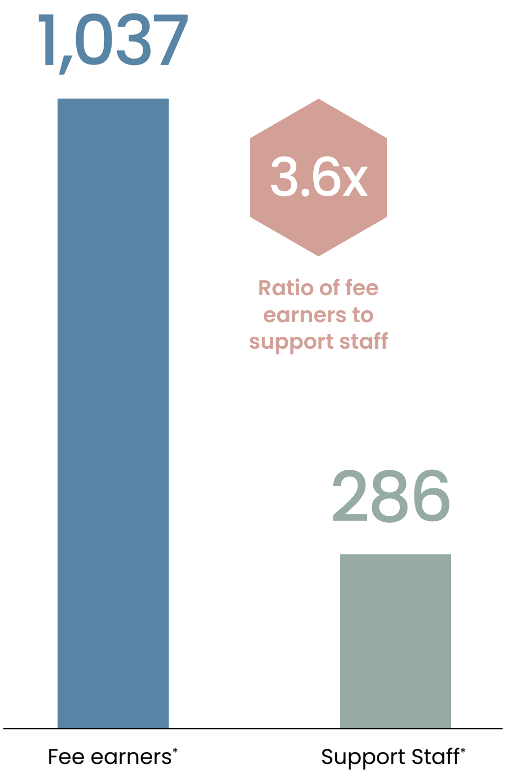
IT & technology **Compliance** **HR** **Records**

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

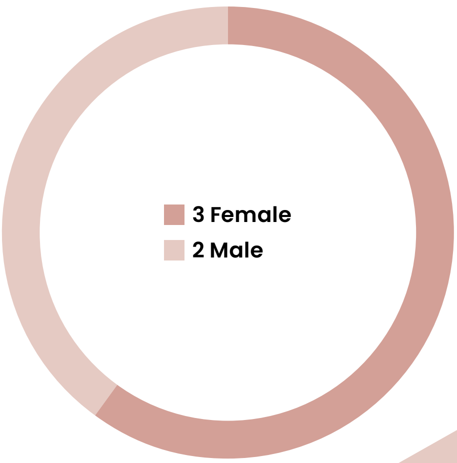
Operating responsibly, sustainably and with integrity is a fundamental part of our culture and informs everything we do. It is also essential to the long-term success of the Group.

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.

Gender diversity



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.

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.

K Lewis

Kate Lewis
Chief Financial Officer

Corporate Governance

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Key to Director skills

- Legal
- Finance and banking
- People
- Operational
- Governance Risk Management and Control
- Sustainability
- Strategy and M&A

Board of directors

David Beech
Chief Executive Officer

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

Kate Lewis
Chief Financial Officer

Kate is a Chartered Accountant and has been a member of the ICAEW since 1996. After qualifying, Kate spent over 10 years as an Audit Manager at Baker Tilly and KPMG.

Kate joined Knights in 2012 as Finance Director, overseeing its corporatisation, several refinancing's, the IPO in June 2018, and all of its acquisitions.

Dave Wilson
Non-Executive Chairman

Dave has over 30 years international, board-level, and operational experience, having spent 12 years in senior roles, including as Deputy Chief Executive Officer at AIM-listed GB Group plc.

Other senior positions included roles as Chief Financial Officer at Codemasters and EXi Group, and Chief Operating Officer for a division of Fujitsu. Dave is currently non-executive Chair of AIM-listed media group, LBG Media plc. He also serves as a non-executive director of musicMagpie plc, having joined that business ahead of its IPO in 2021.

Gillian Davies
Senior Independent
Non-Executive Director

Gillian is a Chartered Accountant and has extensive experience as an Executive and non-executive Director on listed Boards. She spent 11 years as Group Finance Director of 4imprint Group plc, during which time the group was extensively restructured and delivered significant growth. More recently, she was CFO of AIM listed Harwood Wealth Management Group plc until its sale to Private Equity as well as NED and Chair of Audit for Ten Lifestyle Group plc.

Jane Pateman
Non-Executive Director

Jane is Group HR Director at Biffa plc. She has a strong track record in driving business benefits through the development and delivery of human capital strategies. During her 13 years at Biffa, she has provided significant support in delivering solutions during major growth periods, including during its IPO, as well as driving people and cultural integration for the multiple acquisitions Biffa has made in recent years.

Corporate governance statement

Chairman's Introduction

"Following my appointment as Chairman in November, I am pleased to have the opportunity to lead the board in its continued and steadfast commitment to operate with a robust corporate governance model, which is both tailored to the size and complexity of our business, and which adds value for the benefit of all of the business' stakeholders."

Dave Wilson
Non-Executive Chairman

The Board remains committed to implementing an effective corporate governance strategy as the basis for promoting the long-term growth and sustainability of the business and has elected to comply with the principles set out in the Corporate Governance Code for small and mid-sized companies published by the Quoted Companies Alliance in April 2018 (the 'QCA Code') as the basis of its governance framework and will be implementing the QCA Corporate Governance Code 2023 for future financial years.

Set out on the next page are the key principles adopted by the Board in order to comply with the QCA Code.

	Governance Principle	Compliant	Explanation	Further reading
1	Establish a strategy and business model which promotes long-term value for shareholders	✓	Our strategy is to create the leading premium, fully collaborative regional legal and professional services business in the UK. As a result of our profitability and strong cash collection we can continue to invest in the business to deliver this objective through both organic and acquisitive growth.	See pages 16 – 17
2	Seek to understand and meet shareholder needs and expectations	✓	The Board regularly communicates with investors and analysts as a matter of course, and during the year the Chairman has independently met with investors to understand how the strategy, action and performance of the business is perceived by the investor community. Feedback received from these meetings has been delivered to the Board to ensure that consideration of these needs and expectations are at the heart of our strategy and decision making. The Board also believes that the results presentations and Annual General Meeting provide a platform for transparency and engagement with investors.	www.knightsplc.com/company/investors/corporate-governance/
3	Consider wider stakeholder and social responsibilities and their implications for long-term success	✓	In addition to our shareholders, our clients, employees, suppliers, and regulators are other important stakeholders. The Section 172 Statement (pages 43 – 45) provides detailed information on engagement with stakeholders. We also engage via regular communications in our day-to-day activities, and where appropriate via formal feedback requests. The Board considers, and where appropriate implements, any feedback received from all our stakeholders. We also understand the importance of giving back to our communities as discussed in our ESG report and in particular our 4 Our Community initiative.	See pages 43 – 45 and 26 – 35
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	✓	The Board sets our overarching risk culture and the impact of any changes to the risk profile, driven by both macro and micro environmental conditions, ensuring that we manage risk appropriately across the Group. The Executive Board, supported by the Group's General Counsel has management responsibility for risk and internal control with the Board completing a full review bi-annually of the risk profile to consider any emerging risks or notable changes in existing risks.	See pages 57 – 61
5	Maintain the Board as a well-functioning, balanced team led by the Chair	✓	The Board has three established committees for audit, remuneration and disclosure. The composition, tenure and experience of the Board is reviewed regularly by the Board. Given the size and composition of the Board, the Board does not consider that a nominations committee is required as the Board are able to collectively work together to consider both succession issues and new appointments.	See pages 64 – 69
6	Ensure that between them, the Directors have the necessary up-to-date experience, skills and capabilities	✓	The Board is satisfied that its current composition includes an appropriate balance of skills, experience and capabilities, including experience of recruitment, people management, funding requirements, sustainability and risk management. See page 63 for details of the Board's principal skills. The Board obtains external advice and training as required and if instances where the Board considers that it does not possess the necessary expertise or experience it will engage the services of third-party advisers.	See page 63
7	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	✓	The Board regularly considers the effectiveness and relevance of its contributions, any learning and development needs and the level of scrutiny of the senior management team but at this stage has considered that internal review is sufficient given the size of the Board. This will be kept under continuous review. The Chairman also met with each Director to discuss Board and individual effectiveness during the period to continuously foster development and growth at both Board level and within the senior management team.	See pages 68 – 69

Corporate governance statement continued

	Governance Principle	Compliant	Explanation	Further reading
8	Promote a corporate culture that is based on ethical values and behaviours	✓	As a regulated law service business, the Group is focused on promoting a strong ethical corporate culture. The Board implements a policy of equal opportunities in the recruitment and engagement of employees during their employment and always recognises the importance of honest and open feedback to facilitate the growth of individuals and teams within the business. The Group prides itself on its one team culture and maintaining this culture through consistent engagement with its staff is integral to the Group's success. The Group achieves this consistent messaging through the day-to-day management of teams by Client Services Directors and Business Services Directors, regular meetings with partners and regional conferences. This regular engagement ensures that all staff are fully informed about any key business developments and the business' value proposition. The collaborative management structure encourages engagement at all levels.	See pages 26 – 35 and page 45
9	Maintain governance structures and processes that are fit for purpose and support good decision making by the Board	✓	The Board is responsible for the Group's overall strategic direction and management and meet regularly to review, formulate, and approve the Group's strategy, budgets and corporate actions, and to oversee the Group's progress towards its goals. The Group has an established set of reserved matters for approval by the board which is regularly reviewed and updated as necessary given the growth of the business.	See pages 68 – 69
10	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	✓	The Group is committed to maintaining good communication and having constructive dialogue with its shareholders. The Chairman has independently met with several shareholders to obtain and consider their feedback. Regular shareholder meetings are held with the CEO and CFO to discuss Group performance, particularly following publication of the Group's interim and full year results and any trading updates. Employees are updated with all key developments within the business and the business maintains transparent and collaborative engagement with its regulators. In addition, a range of corporate information (including copies of presentations and announcements, and an overview of activities of the Group) are available on the Group's website.	www.knightsplc.com/investors

Board Decision Making

Details of the Directors decision making throughout the year is included within the Section 172 Statement on pages 43 – 45 but some of the key decisions demonstrating the strategy and governance in action are as follows:

Strategy	• Reviewed the Group's strategy and vision, monitoring the performance of the business against that strategy and receiving feedback from members within the senior management team on the implementation of that strategy. • Regularly reviewed the Group's operations, making changes considered appropriate to the reporting lines and roles within the senior management team to continue to develop and challenge the business operations teams. • Reviewed, challenged, directed and monitored the acquisition strategy of the business and the integration of those acquisitions once completed. • Approved two acquisitions and an investment in a joint venture, all of which completed during the year. • Challenged and approved office refurbishments to promote the Group's organic growth ambitions and create an environment for our employees and clients that reflects our strong collaborative culture. • Approved a £70m refinancing to provide the Group with the ability to continue to make strategic acquisitions and to continue to invest in organically scaling and growing the operation. • Approved the design and implementation of a suite of employee benefits following feedback received from our employees which will continue to foster our organic growth strategy.
Finance	• Received regular financial performance updates from the CFO on the performance of the business, acquisitions, office and vertical reporting lines. • Approved the 2023 Annual Report and Accounts and Annual General Meeting ('AGM') business, including the declaration of a half year dividend. • Approved 2024 interim report and trading updates. • Reviewed and approved the annual budget for 2024.
Governance and Risk Management	• Executive Directors undertook a roadshow at the half year and full year to update institutional shareholders and analysts on the Groups' performance. • Undertook a review of feedback from investors and analysts, implementing appropriate changes to disclosures and results presentations based on feedback received. • Approved the modern slavery statement and gender pay gap report for the year. • Undertook monthly reviews of compliance matters including any communications with regulators such as the ICO, SRA or FCA and the results of the ISO27001 audits undertaken by the business to seek accreditation. • Reviewed the risk appetite for the business and its management and controls.

Corporate governance statement continued

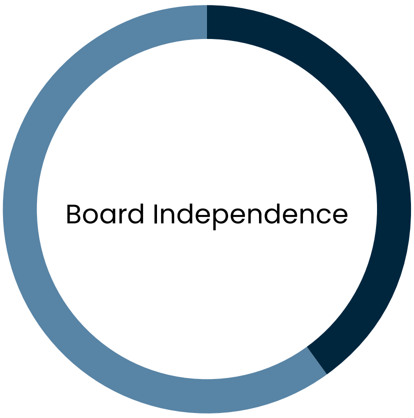
Board Composition

The Board comprises five Directors, two of whom are Executive Directors and three of whom are Non-Executive Directors.

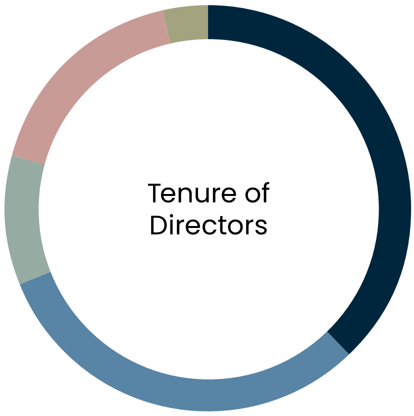
During the period, the Chairman, Balbinder Johal stepped down from the Board to pursue other opportunities. He was succeeded by Dave Wilson as Non-Executive Chairman on 14 November 2023. Dave brings extensive experience in scaling businesses organically and through acquisition together with significant public market and board level experience.

The Board believes that it has an effective blend of financial acumen, public market experience, and complimentary skillsets (details of which are included on page 63) to allow it to pursue its strategic growth opportunities whilst dealing with any challenges faced by the Group. The composition of the Board is such that no individual (or a small group of individuals) can dominate the Board's decision-making.

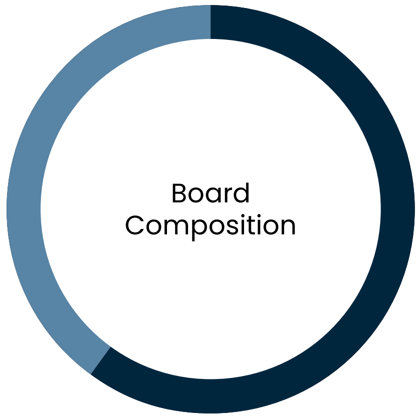
Details of the Board's tenure and independence are set out below:



Executive	2
Non-Executive	3



David Beech	11
Kate Lewis	9
Gillian Davies	3
Jane Pateman	5
Dave Wilson	1



Female	3
Male	2

The Group has an established division of responsibilities between the Chairman of the Board and the CEO, with the Chairman being responsible for the effective leadership and governance of the Board leading the Board's discussions, decision-making and promoting a culture of openness and debate between Executive and Non-Executive Directors. The CEO has delegated authority by the Board to lead the day-to-day management of the Group. This separation of responsibilities between the Chairman and the CEO, coupled with the schedule of matters reserved for the Board ensures that no individual has unfettered powers of decision-making.

Gillian Davies is the Board's Senior Independent Non-Executive Director, acting as a sounding board for the Chairman in seeking to achieve the strategy and the board objectives and is an intermediary for Non-Executive Directors and shareholders alike.

A schedule of regular board meetings is convened throughout the year with additional meetings being held throughout the year to approve the terms of more significant decisions such as acquisitions or refinancings and otherwise as needed. This ensures that the Board are well-informed and are diligently able to oversee the implementation of the Group's strategy and to consider significant risks to the business. An annual agenda, coupled with periodic reports from the senior management team ensure that the Board can consider all aspects of the business and the Non-Executive Directors have an appropriate forum for update and challenge.

Meeting Attendance

Name	Board	Remuneration	Audit
Balbinder Johal**	4/6	–	–
Dave Wilson	5/5	1/1	-
David Beech	11/11	2/3	–
Jane Pateman	10/11	3/3	3/4
Kate Lewis	11/11	2/3	4/4
Gillian Davies	11/11	3/3	4/4

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

** Balbinder Johal resigned during the year on 14 November 2023 and Dave Wilson was appointed on 14 November 2023. The table above reflects the meetings that those individuals attended during the year whilst they were appointed.

The Company Secretary supports the Board with compliance and governance matters and ensures that all Directors are aware of their right to have any concerns noted, to ask questions regarding ongoing governance requirements and to seek independent advice at the Group's expense where appropriate. The Non-Executive Directors are also encouraged to meet independently to discuss matters if they consider it to be necessary.

Committees

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

Each Committee is comprised of the Non-Executive Directors with Gillian Davies chairing the Audit Committee and Jane Pateman chairing the Remuneration Committee.

The Committees have unrestricted access to employees of the business or external advisors, to the extent that they consider it necessary in relation to any specific matter under consideration.

During the period the Remuneration Committee has engaged with FIT Remuneration Consultants LLP who have provided external remuneration advice, including providing advice on all aspects of remuneration policy for the Executive Directors. They also advised on the structure and implementation of the all-employee share scheme operated by the Group.

The Audit Committee has met with RSM UK Audit LLP, the Group's auditors, both with and without the presence of Executive Directors and members of the finance team.

Details of the reports of the Remuneration Committee and Audit Committee and their respective responsibilities can be found on pages 74 – 77 and 70 – 73 respectively of this Report.

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

The Group has elected not to constitute a dedicated nomination committee, instead retaining such decision-making with the Board given the size and nature of the Board's composition. The Board has used external advisors to advise on the appointment of the new Chairman to ensure that the skill set and cultural alignment was aligned with the business' needs.

Annual General Meeting ('AGM')

The AGM of the Group will take place on the 24 September 2024 and the Notice of Annual General Meeting which includes the associated resolutions accompany this Annual Report.

Audit Committee report

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

Gillian Davies
Chair of the Audit Committee

Its role includes:

- monitoring the integrity of the financial statements (including annual and interim accounts and results announcements);
- reviewing the risk management and internal control systems, reviewing any changes to accounting policies;
- considering the impact of any new accounting standards;
- reviewing and monitoring the extent of any non-audit services undertaken by RSM UK Audit LLP ('RSM'); and
- oversight of the relationship with the external auditors and the quality of the audit completed.

Dear Shareholders

As Chair of the Audit Committee ('Committee') I am pleased to present the Audit Committee Report for the year ended 30 April 2024. The report summarises the remit of the Committee, its key areas of focus for this financial year and the Group's relationship with its external auditors, RSM UK Audit LLP.

The Committee consists of me as Chair and Jane Pateman, with the Chairman, CFO and Group FD routinely attending by invitation. All members of the committee have recent relevant financial experience. We met four times during the year, with meetings timed to coincide with the full year and half year auditing and reporting timeframes. The Committee has also held discussions with RSM UK Audit LLP, without Executive Directors being present, to discuss any issues arising from their audit work.

Duties

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

1 **Monitoring the integrity of financial statements**

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

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

These judgements are as follows:

Revenue recognition policy

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

Management use the expected outcomes as at the period end to establish the estimated value of ongoing contracts and compare to historic outcomes to ensure reasonableness.

Estimates are updated as work progresses and any changes in revenue recognition as a result of a change in circumstances is recognised in the Consolidated Statement of Comprehensive Income for that year.

In relation to any contingent matters, where the likelihood of success is less than highly probable, the value recognised in contract assets is further reduced to reflect this uncertainty.

The Committee considers that the approach adopted by management is prudent and minimises the risk of overstatement of income resulting in future revenue write-offs.

Accounting for acquisitions

During the year the Group made two acquisitions and invested in a joint venture. Accounting for these acquisitions involves an assessment of the allocation of purchase price, treatment of any deferred and contingent acquisition payments, assessment of the requirement for any fair value adjustments, identification and valuation of the intangible assets arising, together with an estimation of the useful lives of each of these assets.

The fair value attributable to intangible assets arising on acquisition are recognised in accordance with IAS 38 Intangible Assets and is based on a number of estimates, including the long-term revenue growth rate and the related business and discount rate.

Having reviewed management's approach and the resulting accounting treatment of the goodwill and intangible assets, the Committee is satisfied that the approach adopted in the financial statements is reasonable and fairly represents the underlying transactions.

Goodwill and intangible assets impairment

At the year end there is £87m recognised in the financial statements relating to goodwill and intangible assets from both current and prior year acquisitions. On an annual basis, management need to satisfy themselves that the carrying value of the goodwill is supportable by future expected returns from the Group. Management have completed a detailed impairment review considering future cash flows based on the Board approved three-year plan and then applying prudent long term growth rates in order to calculate terminal values.

These cash flows are then discounted to give a value in use which is then compared to the carrying value.

A sensitivity analysis has been prepared to determine the potential impacts of reasonably possible changes in the assumptions used for the value in use calculations.

Having reviewed management's impairment reviews, sensitivity analysis and conclusions in the carrying values of the goodwill and intangible assets in the financial statements, the Committee is satisfied that the carrying value of £87m is supportable and the assets do not need to be impaired with value in use calculations demonstrating considerable headroom.

Use of alternative performance measures

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

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

Audit Committee Report continued

2 Risk management and internal controls

As described on pages 57 – 61 of the Strategic Report and pages 63 – 69 of the Corporate Governance Statement, the Board has established a framework of risk management and internal control systems, policies and procedures. The Committee is responsible for reviewing the risk management and internal control framework and for ensuring that it operates effectively. The Committee is satisfied that the internal controls currently in place are sufficient and operating effectively for a business of this size.

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

3 Changes to accounting policies

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

4 Going concern, business model and strategy

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

As part of the process of confirming the validity of the going concern assumption, the Committee has reviewed the detailed budgets for the next 12 months and the Group's three-year forecasts. The forecasting model includes an integrated Consolidated Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows along with forecast covenant calculations. In order to further satisfy the going concern assumption, the Group has modelled a number of different trading scenarios, some of which forecast a significantly more negative trading performance than is expected. In all of these scenarios the Group continued to maintain a sufficient level of liquidity to enable it to meet all of its liabilities as they fell due. Having reviewed the forecasts, the Committee is satisfied that these support the business model and strategy of the business and demonstrate sufficient liquidity for the foreseeable future and will recommend that the Board approves the going concern assumption.

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

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

During the year RSM has not provided any non-audit services to the Group other than audit related services.

6 **Overseeing the relationship with the external auditors**

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

In the year there was a change of audit partner in line with the normal five year rotation for listed companies.

The auditor prepares a detailed audit plan which is presented to the Committee before the commencement of the audit.

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

For the year ended 30 April 2024 the significant audit risks identified were: revenue recognition and contract assets; acquisition accounting; impairment of goodwill and intangible assets and management override of controls.

As part of the audit planning process, the auditor also provided confirmation that in their opinion RSM UK Audit LLP was independent within the meaning of regulatory and professional requirements and that the objectivity of the audit partner and team remained unimpaired.

An assessment of the effectiveness of the audit process in addressing the significant issues identified is made by the Committee based on the auditors full and half year Audit Findings Reports which the auditor presents to the Committee. These reports cover the conclusions from the work completed on the areas of significant audit risk and any other issues identified as part of the audit process. No major areas of concern were identified by RSM during the year.

Following detailed reviews of the Audit Findings Reports, discussions with auditors at Committee meetings and discussions with management on the effectiveness of the audit process, the Committee has confirmed that it is satisfied with the independence, objectivity, and effectiveness of RSM UK Audit LLP as external auditors and has recommended to the Board that the auditors be reappointed. There will be a resolution to reappoint the auditors at the forthcoming AGM.

7 **Application of IFRSs, and new and forthcoming standards**

As at the date of these financial statements, there are two new standards and amendment to IFRSs in issue but not yet effective and have therefore not been applied as set out below:

- IFRS 18 Presentation and Disclosure in Financial Statement (effective 1 January 2027)
- Amendments to IAS1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-current and Classification of Liabilities as Current or Non-current (effective 1 January 2024)

The directors do not expect that the amendments to IAS 1 will have a material impact on the financial statements of the Group in future periods.

The full impact of IFRS 18 on the financial statements is in the process of being reviewed, however the directors do not expect that the adoption of the standard will have a material impact on the financial statements of the Group in future periods.

8 **ESG and TCFD reporting**

The Group considers its responsibilities in respect of ESG and climate change to be an important focus and ensures strategic decisions are made in a way that considers the ESG strategy. The Committee has reviewed the ESG and TCFD strategy and reports to ensure that the current strategy and reporting is appropriate and in line with current reporting requirements.

Gillian Davies

Chair of the Audit Committee

Senior Independent Non-Executive Director

5 July 2024

Remuneration Committee report

"We are continuing to develop our remuneration structures to align them with our growth strategy and our 'one-team culture'."

Jane Pateman
Chair of the Remuneration Committee

Dear Shareholder,

I am pleased to present the Directors' Remuneration Report for the year ended 30 April 2024.

The Remuneration Committee comprises me as Chair of the Committee, Gillian Davies and Dave Wilson. We are all independent Non-Executive Directors.

The Chief Executive Officer and Chief Finance Officer were invited to attend meetings from time to time to provide relevant input and analysis. The Committee has also been advised by FIT Remuneration Consultants as required during the year.

This report will explain:

- the responsibilities of the Committee;
- the key activities of the Committee during the year and;
- details of Directors remuneration payments made in respect of the year ended 30 April 2024 together with our proposals for the next financial year.

Responsibilities

The key responsibilities of the Remuneration Committee are as follows;

- review of the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of service;
- making recommendations to the Board on proposals for the granting of equity incentives pursuant to any equity incentive plans in operation from time to time; and
- reviewing and approving any significant changes in employment terms and conditions and the overall salary increases for the Group as proposed by the Executive Directors.

Key activities carried out in the year

During the year the Remuneration Committee formally met three times. Key areas discussed and approved during the period are set out below:

- the launch and implementation of an all-employee HMRC tax-advantaged SIP scheme whereby for every two shares purchased by an employee, the business purchases one matching share for the benefit of the employee;
- the remuneration of the newly appointed Chair;
- the issue of restricted stock awards to be used as a retention and incentivisation tool to a number of individuals within the business;
- the dilutive impact of awards and plans for the establishment of an employee benefit trust to purchase and hold shares to be used to satisfy share awards granted to employees;
- approval of an increased benefits package across the business including approval of a minimum employer's pension contribution of 5% of salary for all employees. The Committee considers that this positions the Group competitively in the market in which the Group operates;
- approval of base salary changes for the Executive Directors for the financial year ended 30 April 2025 (as set out below);
- consideration of awards under a management incentive plan ('MIP') for the Executive Directors and wider senior management team for the financial year ended 30 April 2024.

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

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

Our performance and link to remuneration

As summarised in the Chairman's Statement on pages 6 and 7, the Group has continued to grow over the year with full year revenue of £150m, up by 5.5% compared to the prior year (2023: £142.1m), and underlying PBT of £25.3m, a 17.3% increase on the prior year (2023: £21.6m).

Following the end of our financial year, the Remuneration Committee reviewed performance in the year and determined that although the Group had performed well achieving profitability levels expected in the market, the general macro-economic headwind meant that results did not exceed expectations which was a requirement of the management incentive plan (referred to below). Therefore, no payment will be made to the participants of the management incentive plan, including the CEO and CFO, in respect of the financial year ended 30 April 2024.

The business has determined that an average 4% increase in base salary will generally apply for our staff for the coming financial year. In recent years we have aligned increases for the CEO and CFO with firm wide reviews. However there is a need to ensure that their salaries are appropriate and in line with the market. Having taken a cautious approach on base salaries in the past, we regard moving to what we consider to be a more appropriate salary level for each of the Executive Directors to be the correct step to take and in the shareholders' best interests. Details of the new salaries for the CEO and CFO are set out below.

Executive Director service agreements

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

Remuneration Committee report continued

The key remuneration components of Executive Director packages are summarised as follows:

Base salary: The salary of an Executive Director will be reviewed annually by the Remuneration Committee without any obligation to increase such salary. The current base salaries and increases are shown below, and increases for the upcoming financial year are;

David Beech: The CEO's salary was increased from £315,000 to £360,000 for the upcoming financial year.

Kate Lewis: The CFO's salary was increased from £240,000 to £280,000 for the upcoming financial year.

Pension and benefits: Ancillary benefits include the reimbursement of all reasonable and authorised out of pocket expenses, eligibility for provision of a private healthcare cover up to a maximum premium of £2,000 (although none of the directors have utilised such cover). The Executive Directors are also entitled to 4x salary life cover (previously 2 x cover) in line with the increased benefit offered across the Group. The Group also contributes to pension plans or an additional cash supplement in lieu of pension contribution in respect of the Executive Directors. The pension contribution has been increased to 5% (FY24: 3%) with effect from 1 May 2024, mirroring the increase in employer contribution available to all employees.

Management Incentive Plan

A new Management Incentive Plan (**'MIP'**) which provides annual cash bonus and deferred shares was introduced during the year to replace the existing bonus arrangements and the LTIP for the Executive Directors.

The MIP operated on the following basis for the 30 April 2024 financial year:

- The CFO had a maximum opportunity of 100% of base salary, payable in cash, under the MIP (consistent with the bonus opportunity for the 30 April 2023 financial year);
- MIP awards are subject to annual PBT targets, aligned to the business strategy as set by the Remuneration Committee;
- Subject to achievement of the PBT targets, participants will receive 50% of their award in cash following the finalisation of the results for the year ending 30 April 2024 and 50% will be deferred by way of the issue of restricted stock awards which will vest on the second anniversary of grant, subject to continued service; and
- Members of the senior management team were also invited to participate in the MIP on a similar basis to the Executive Directors.

The CEO was not party to the MIP, but instead had a maximum opportunity for a bonus equal to 100% of base salary during the year, consistent with the bonus opportunity for the 30 April 2023 financial year subject to achievement of annual PBT targets, aligned to the business strategy as set by the Remuneration Committee.

Although the Group achieved satisfactory results for the year ended 30 April 2024 with profits in line with consensus, the underlying PBT targets for the FY24 MIP plan were not achieved. Therefore, no cash bonuses or restricted stock awards were issued to the CEO, CFO or any other members of the senior management team.

The MIP has been reviewed by the Committee and it is intended that this will operate on the following basis for the 30 April 2025 financial year;

- the FY25 MIP will be split into two separate parts being:
  - a cash bonus in respect of performance against underlying PBT targets for FY25 to be paid in early FY26; and
  - long term incentive share awards in the form of: (i) options granted under a tax-advantaged Company Share Option Plan ('CSOP'); and (ii) restricted stock awards combined with a performance-linked share awards;
- for the FY25 annual bonus, the CEO and CFO will have a maximum bonus payable of 100% of base salary subject to achievement of underlying PBT targets for FY25, aligned to the business strategy as set by the Committee;
- the Committee also intends to grant the following long term incentive share awards to the CFO in FY25:
  - a CSOP option which will vest on the third anniversary of grant, subject to continued service;
  - a restricted stock award which will vest in three years subject to continued service only and an additional share award that will vest subject to continued service and achievement of stretching performance targets;
- members of the senior management will also be invited to participate in the revised MIP scheme on a similar basis to the CFO; and
- the CEO will not receive long term incentive share awards in FY25.

Non-Executive Directors

Bal Johal, resigned as Non-Executive Chairman on 14 November 2023. The annual fee payable to the Chairman prior to his resignation was unchanged at £60,000.

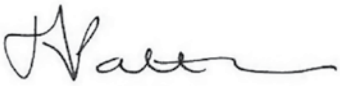
Dave Wilson was appointed Non-Executive Chairman of the Group by letter of appointment dated 14 November 2023. His appointment is terminable on three months' notice by either party. The annual fee payable to the Chairman is £150,000.

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

The current fee payable for services as a Non-Executive Director was unchanged throughout the year at £40,000 with an additional £10,000 payable to the senior independent Non-Executive Director. The Non-Executive Directors fees have been increased for the upcoming financial year to £50,000 with an additional £10,000 payable to the senior independent Non-Executive Director.

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

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



Jane Pateman
Chair of the Remuneration Committee

5 July 2024

Directors' emoluments

	Fees/basic salary £'000	Benefits £'000	Bonus £'000	LTIP £'000	Pension £'000	2024 Total £'000	2023 Total £'000
Executive Directors							
David Beech	315	–	–	–	–	315	300
Kate Lewis	240	–	–	–	7	247	237
Richard King[1]	–	–	–	–	–	–	158
Non-Executive Directors							
Balbinder Johal[2]	35	–	–	–	–	35	60
Jane Pateman	40	–	–	–	–	40	40
Gillian Davies	50	–	–	–	–	50	50
Dave Wilson[3]	69	–	–	–	–	69	–
Aggregate	**749**	**–**	**–**	**–**	**7**	**756**	**845**

Notes

1 Richard King resigned on 18 May 2022 but continued to receive salary for his six month notice period and also pension contributions of £550 (rounded to nil in the table above).

2 Balbinder Johal resigned on 14 November 2023.

3 Dave Wilson was appointed on 14 November 2023.

Long-term incentives

	Type of award	Date of grant	Number of shares	Exercise price per share	Value at grant	Performance conditions	Vesting date
Kate Lewis	SIP	5 September 2018	2,831	N/A	£5,518	N/A	Matching Shares and Partnership Shares Vested
Kate Lewis	Performance Share Award	19 July 2021	50,114	£0.002	£220,000[1]	EPS[2]	July 2024 – lapsed in full
Kate Lewis	Performance Share Award	13 July 2022	167,476	£0.002	£172,500[3]	EPS[4]	July 2025

Notes

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

2 3-year performance period with vesting dependent on underlying EPS performance in financial year ended 30 April 2024 with 25% vesting for EPS of 26.20p and 60% vesting for EPS of 27.58p increasing to 100% vesting for EPS of 28.96p. A sliding scale operates between these points. As EPS for the year to April 2024 is 21.81p this Performance Share Award has lapsed.

3 Based on 3-day average share price of £1.03.

4 3-year performance period with vesting dependent on underlying EPS performance in financial year ended 30 April 2025 with 25% vesting for EPS of 25.27p and 60% vesting for EPS of 26.60p increasing to 100% vesting for EPS of 27.93p (and a sliding scale operates between these points).

Directors' report

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

Principal activities and business review

The principal activity of the Group is the provision of legal and professional services. The principal activity of the Company is that of a holding company. The results for the year and the financial position of the Group are disclosed in the detailed financial statements included on pages 89 – 135. A review of the performance of the business during the year and potential future developments is included in the Chairman's Statement, Chief Executive's Review and the Financial Review.

Dividends

The Directors recommend a final dividend of 2.79p per ordinary share to be paid on 27 September 2024 to the ordinary shareholders on the register on 30 August 2024. This, together with the interim dividend of 1.61p per share paid on 15 March 2024, makes a total of 4.40p per share for the year. The final dividend has not been included within creditors as it was not approved before the end of the financial year.

Future developments

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

Post balance sheet events

There are no significant post balance sheet events that require any further disclosure.

Directors and their interest in the shares of the parent company

The following Directors have held office since 1 May 2023:

Name	Number of shares	%
DA Beech	18,922,309	22.02
KL Lewis	105,250	0.12
G Davies	30,000	0.03
J Pateman	10,000	0.01
Dave Wilson (appointed 14 November 2023)	–	–
Bal Johal (resigned 14 November 2023)	–	–

Substantial shareholdings

As far as the Directors are aware the only notifiable holdings equal to or in excess of 3% of the total issued share capital as at 30 April 2024 were as detailed below:

Name	Number of shares	%
DA Beech	18,922,309	22.02
Octopus Investments	11,387,991	13.26
Columbia Threadneedle Investments	10,589,381	12.33
Wasatch Advisors Inc and its associated funds	5,144,834	5.99
Stitching value Partners	3,504,140	4.08
BGF	3,325,120	3.87
Rathbones	2,837,748	3.30

Directors' indemnity provisions

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

Risk management

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

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

Political donations

The Group has not made any political donations.

Streamlined Energy and Carbon Reporting ('SECR')

In accordance with S414C (11) of the Companies Act, the Group has included the SECR report on pages 41 – 42. This is included as part of the Group's Strategic Report as they are of strategic importance.

Disabled persons

The Group operates an equal opportunities employment policy.

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

Employee engagement

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

The Group prides itself on its culture and maintaining that culture through consistent engagement with its staff is integral to the Group's success.

The Group achieves this consistent messaging in several ways, including day-to-day management of teams by Client Services Directors and the Business Services Directors, regular meetings with teams, partners, all staff meetings and webinars as appropriate. This regular engagement ensures that all staff are fully informed about any key developments and the strategic direction of the Group. This collaborative management structure encourages engagement at all levels.

Further information on how the Group liaises with employees and includes them in decision-making where relevant and encourages participation in share schemes to enable them to share in the success of the Group is included in the Corporate Sustainability Report on pages 31 – 33.

Engaging with stakeholders

The Directors have considered who the key stakeholders in the business are and documented how they engage with each of these groups, noting any key decisions made during the year. Details of this are included within the S172(1) report on pages 43 – 45. The Directors have chosen, in accordance with Section 414C(11) of the Companies Act 2006, to include information in respect of employee communication and consultation, engagement with suppliers, customers and other stakeholders in the Strategic Report.

Directors' report continued

Going concern

The Group and Company financial statements have been prepared on a going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group is strongly cash generative at the operating level and as at the end of the financial year had headroom of circa £35m within its current debt facilities.

The Group's forecasts show that the Group has sufficient resources for both current and anticipated cash requirements. The Group remains profitable and operates within its current available banking facilities with no forecast breach of covenants for the foreseeable future.

Auditor

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

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

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

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

The Directors' Report was approved by the Board of Directors on 5 July 2024 and signed on its behalf by:

Kate Lewis
Chief Financial Officer

5 July 2024

Statement of directors' responsibilities

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

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted International Accounting Standards;
- for the Company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

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

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

Financial Statements

Financial Statements

Independent auditor's report to the members of Knights Group Holdings plc

Opinion

We have audited the financial statements of Knights Group Holdings Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 April 2024 which comprise the consolidated statement of comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2024 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Summary of our audit approach

Key audit matters	**Group** • Revenue recognition and contract assets **Parent Company** • None identified
Materiality	**Group** • Overall materiality: £1,540,000 (2023: £1,020,000) • Performance materiality: £1,150,000 (2023: £767,000) **Parent Company** • Overall materiality: £1,539,000 (2023: £1,019,999) • Performance materiality: £1,149,000 (2023: £764,000)
Scope	Our audit procedures covered 99% of revenue, 99% of total assets and 99% of profit before tax.

Key audit matters

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

Independent auditor's report to the members of Knights Group Holdings plc continued

Revenue recognition and contract assets

Key audit matter description	The Group's accounting policy in respect of revenue recognition is set out in note 2.5. Note 4 sets out the critical judgements and estimates applied by the directors in relation to the amounts recoverable on contract assets, which may have a material effect on the amount of revenue recognised in the period, and note 5 to the financial statements gives detail on revenue. There is a risk that revenue could be materially misstated due to recognising revenue in the wrong accounting period, or in the wrong amount. Revenue is materially impacted by changes in the contract assets balance, which is subject to management judgement about recovery rates and provisions. Due to the large volume of transactions in the year there is a risk that not all of the matters in the year have been appropriately billed. Contract assets are carried at a value of £40,191,000 (2023: £38,215,000) (note 24). They are valued on a line by line (case by case) basis using an estimated recovery rate at the period end. The process of valuing contract assets and, in particular, estimating recovery rates, is judgemental and therefore considered to be a key audit matter. It is also an area to which we applied significant audit time and resource.
How the matter was addressed in the audit	Our response to the key audit matter included: • assessing management's revenue recognition policy for fixed fee arrangements, unconditional fee-for-service arrangements, and variable or contingent fee arrangements for open cases at the year end for compliance with IFRS 15 – Revenue from contracts with customers • assessing the design and testing the operation of controls implemented by management over month and period end valuation of contract assets • performing analytical review of the relationships between fee earner numbers and salary costs compared to reported revenue and to prior financial years • using data analytics software to test the revenue recognised by ensuring that the revenue transaction cycle was completed through to cash receipt or inclusion in trade receivables • comparing the year end work in progress valuation and recovery rates to the prior year for each office and across departments (excluding those acquired in the year) • comparing the expected recovery rate in the prior year valuation of work in progress to the actual amounts recovered for a sample of fee earners during the year • reviewing a sample of contract assets balances at period end and discussing the nature of the case and the anticipated recovery rates with management and individual fee earners • for the same sample, checking any billing or provisions following the period end to support the reported recovery rate • period-end cut off testing to ensure that contract assets and revenue had been recognised in the correct accounting period • reviewing the monthly chargeable hours recorded during the period and in the month immediately after the period end to determine whether there were any unexplained fluctuations in recorded hours • agreeing the recoverability of the balance of unbilled revenue to post year end billing and cash receipts and, where billing has not yet occurred, challenging fee-earners about the expected recovery, confirming unbilled revenue is recorded in the correct period and at the correct amount and is supported by time costs incurred.

Our application of materiality

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

	Group	Parent company
Overall materiality	£1,540,000 (2023: £1,020,000)	£1,539,000 (2023: £1,019,999)
Basis for determining overall materiality	4% of Underlying EBITDA	1.7% of Net Assets
Rationale for benchmark applied	A key metric used by management and shareholders in assessing performance of the Group is underlying EBITDA, as disclosed in note 37.	The parent company does not trade; its function is to hold investments in the Group's trading entities. As a result, the benchmark for this entity is net assets.
Performance materiality	£1,150,000 (2023: £767,000)	£1,149,000 (2023: £764,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £77,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £77,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of five components, all of which are based in the UK.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	3	99%	99%	99%
Total	3	99%	99%	99%

Analytical procedures at group level were performed for the remaining two components. No component auditors were involved in our work.

Independent auditor's report to the members of Knights Group Holdings plc continued

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 81, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Independent auditor's report to the members of Knights Group Holdings plc continued

The most significant laws and regulations were determined as follows:

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

The Group undergoes a separate SRA audit. We have discussed the outcome of this work with the RSM team responsible for it.

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

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

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

Use of our report

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

G Bond

Graham Bond FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants
14th Floor
20 Chapel Street
Liverpool
L3 9AG

5 July 2024

Consolidated Statement of Comprehensive Income
For the year ended 30 April 2024

	Note	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Revenue	5	**149,957**	142,080
Other operating income	7	**10,439**	6,718
Staff costs*	8	**(93,007)**	(88,412)
Depreciation and amortisation charges*	11	**(8,510)**	(8,175)
Impairment of trade receivables and contract assets		**(489)**	(468)
Other operating charges*	12	**(28,218)**	(26,539)
Operating profit before non-underlying charges and amortisation on acquired intangibles		**30,172**	25,204
Amortisation on acquired intangibles	11	**(3,580)**	(3,441)
Non-underlying operating costs	13	**(6,630)**	(6,473)
Operating profit		**19,962**	15,290
Finance costs*	14	**(4,939)**	(3,661)
Finance income	15	**89**	52
Non-underlying finance costs	13	**(281)**	(152)
Net finance costs		**(5,131)**	(3,761)
Profit before tax		**14,831**	11,529
Taxation – underlying*	17	**(6,598)**	(4,304)
Tax impact of non-underlying costs	17	**1,614**	1,129
Non-recurring tax charge	17	**–**	(410)
Taxation		**(4,984)**	(3,585)
Profit and total comprehensive income for the year attributable to equity owners of the parent		**9,847**	7,944
Earnings per share		**Pence**	Pence
Basic earnings per share		**11.47**	9.28
Diluted earnings per share		**11.11**	9.19

The above results were derived from the Group's continuing operations.

* Excluding non-underlying items and amortisation on acquired intangibles.

Consolidated Statement of Financial Position
As at 30 April 2024

	Note	30 April 2024 £'000	30 April 2023 £'000
Assets			
Non-current assets			
Intangible assets and goodwill	20	**86,900**	88,021
Investments	22	**50**	–
Property, plant and equipment	23	**14,896**	10,004
Right-of-use assets	23	**34,034**	38,200
Finance lease receivables	26	**1,633**	1,671
Trade and other receivables	25	**2,523**	–
		140,036	137,896
Current assets			
Contract assets	24	**40,191**	38,215
Trade and other receivables	25	**32,753**	31,087
Finance lease receivables	26	**364**	315
Corporation tax asset		**304**	152
Cash and cash equivalents		**5,453**	4,045
		79,065	73,814
Total assets		**219,101**	211,710
Equity and liabilities			
Equity			
Share capital	27	**171**	171
Share premium		**75,262**	75,262
Merger reserve		**(3,506)**	(3,506)
Retained earnings		**28,333**	20,880
Equity attributable to owners of the parent		**100,260**	92,807
Non-current liabilities			
Lease liabilities	28	**35,389**	38,585
Borrowings	29	**40,149**	33,076
Deferred consideration	30	**350**	2,482
Deferred tax	31	**8,288**	8,388
Provisions	33	**3,968**	4,090
		88,144	86,621
Current liabilities			
Lease liabilities	28	**5,181**	6,331
Borrowings	29	**468**	189
Trade and other payables	32	**19,935**	20,832
Deferred consideration	30	**2,591**	2,367
Contract liabilities	24	**188**	218
Provisions	33	**2,334**	2,345
		30,697	32,282
Total liabilities		**118,841**	118,903
Total equity and liabilities		**219,101**	211,710

The financial statements were approved by the board and authorised for issue on 5 July 2024 and are signed on its behalf by:

Kate Lewis
Director

Registered No. 11290101

Consolidated Statement of Changes in Equity
For the year ended 30 April 2024

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
As at 1 May 2022		169	74,264	(3,536)	14,762	85,659
Profit for the period and total comprehensive income		–	–	–	7,944	7,944
Transactions with owners in their capacity as owners:						
Credit to equity for equity-settled share-based payments	9	–	–	–	1,265	1,265
Issue of shares	27	2	998	–	–	1,000
Transfers		–	–	30	(30)	–
Dividends	19	–	–	–	(3,061)	(3,061)
Balance at 30 April 2023		**171**	**75,262**	**(3,506)**	**20,880**	**92,807**
Profit for the period and total comprehensive income		**–**	**–**	**–**	**9,847**	**9,847**
Transactions with owners in their capacity as owners:						
Credit to equity for equity-settled share-based payments	9	**–**	**–**	**–**	**1,131**	**1,131**
Dividends	19	**–**	**–**	**–**	**(3,525)**	**(3,525)**
Balance at 30 April 2024		**171**	**75,262**	**(3,506)**	**28,333**	**100,260**

Consolidated Statement of Cash Flows
For the year ended 30 April 2024

	Note	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Operating activities			
Cash generated from operations	35	**36,254**	29,431
Non-underlying operating costs paid	13	**(4,246)**	(3,142)
Tax paid		**(5,432)**	(2,424)
Contingent acquisition payments		**(3,745)**	(3,870)
Net cash from operating activities		**22,831**	19,995
Investing activities			
Acquisition of subsidiaries (net of cash acquired)	21	**(1,888)**	(6,018)
Other loans made	22	**(2,500)**	–
Investment in joint ventures	22	**(50)**	–
Purchase of intangible fixed assets	20	**(40)**	(71)
Purchase of property, plant and equipment	23	**(8,165)**	(1,853)
Proceeds from lease receivables	26	**405**	237
Disposal of subsidiaries (net of cash disposed)		**–**	1,068
Landlord capital contribution		**396**	–
Associated lease costs		**(72)**	–
Payment of deferred consideration		**(2,417)**	(1,210)
Net cash used in investing activities		**(14,331)**	(7,847)
Financing activities			
Proceeds of borrowings		**23,200**	34,425
Repayment of borrowings		**(16,325)**	(33,900)
Repayment of debt acquired with current year subsidiaries	21	**(661)**	(256)
Repayment of debt acquired with prior year subsidiaries		**(166)**	(438)
Repayment of lease liabilities		**(5,113)**	(5,439)
Interest and other finance costs paid		**(4,502)**	(3,661)
Dividends paid		**(3,525)**	(3,061)
Net cash used in financing activities		**(7,092)**	(12,330)
Net increase/(decrease) in cash and cash equivalents		**1,408**	(182)
Cash and cash equivalents at the beginning of the period		**4,045**	4,227
Total cash and cash equivalents at end of period		**5,453**	4,045

Notes to the Consolidated Financial Statements
For the year ended 30 April 2024

1. General information

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

The Group consists of Knights Group Holdings plc, all of its subsidiaries and its share of joint ventures.

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

The Brampton
Newcastle-under-Lyme
Staffordshire
ST5 0QW

2. Accounting policies

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

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

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

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

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

2.2 Going concern
The accounts are prepared on a going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group has a strong trading performance, generates strong operating cashflows and has recently renewed and increased its banking facilities from £60,000,000 to £70,000,000, available until 7 November 2026. The Group's forecasts show sufficient cash generation and headroom in banking facilities and covenants, by comparison to anticipated future requirements, to support the Directors' conclusions that the assumption of the going concern basis of accounting in preparing the financial statements is appropriate.

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

2.3 Basis of consolidation
The consolidated financial statements incorporate the results of Knights Group Holdings plc, all of its subsidiaries and share of joint venture.

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

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

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

Notes to the Consolidated Financial Statements continued
For the year ended 30 April 2024

2. Accounting policies continued

Audit exemption of subsidiaries

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

Name	Registered number
BrookStreet Des Roches LLP	OC317863
K & S Trust Corporation Limited	02885753
Coffin Mew LLP	OC323868
CLM Trust Corporation Limited	11247326
Meade King LLP	OC349796
Baines Wilson LLP	OC330890
St James' Law Limited	10507535

The outstanding liabilities at 30 April 2024 of the above named subsidiaries have been guaranteed by the Company pursuant to s479A to s479C of the Act. In the opinion of the directors, the possibility of the guarantee being called upon is remote since the trade, assets and majority of liabilities of these subsidiaries were transferred to Knights Professional Services Limited before 30 April 2024.

2.4 Business combinations

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

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

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

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

Deferred consideration is classified as a financial liability, which is held at amortised cost. The unwinding of the discount is recognised in non-underlying costs. Contingent acquisition payments are contingent on an employee remaining in employment with the Group is accounted for separately from the business combination as remuneration as described in notes 13 and 21.

2.5 Revenue

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.6 Interest received on client deposits

Interest is recognised on client deposits held, this is recognised in the Consolidated Statement of Comprehensive Income as it accrues, based on the effective interest rate during the period. This forms part of other operating income as this is driven by the ongoing operations of the business.

2.7 Taxation

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

Deferred tax is recognised for temporary differences, calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date except for;

- When the deferred tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

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

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

Notes to the Consolidated Financial Statements continued
For the year ended 30 April 2024

2. Accounting policies continued

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

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

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

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

Customer relationships that are acquired by the Group as part of a business combination are stated at cost less accumulated amortisation and impairment losses (see accounting policy 'Impairment of non-financial assets'). Cost reflects management's judgement of the fair value of the individual intangible asset calculated by reference to the net present value of future benefits accruing to the Group from the utilisation of the asset, discounted at an appropriate discount rate

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

Purchased computer software	–	4 years
Customer relationships	–	3 – 25 years
Brand	–	100 years

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

Customer relationships are amortised over a period of 3 – 25 years being the average length of relationship with key clients for acquired entities.

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

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

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

Expenditure on short leasehold property	–	10% on cost
Leasehold property	–	10% on cost
Office equipment	–	25% on cost
Furniture and fittings	–	10% on cost
Motor vehicles	–	25 % on cost
Right-of-use assets	–	useful life of the lease (between 2 and 25 years)

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

2.11 Investment in joint ventures
Entities in which the Group has a long-term interest and share control under a contractual arrangement are classified as joint ventures. Joint ventures are accounted for using the equity method. Where necessary, adjustments are made to bring the accounting policies of joint ventures into line with those used by the Group.

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

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

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

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

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

2.14 Leases
Group as lessee
The Group leases offices, equipment and vehicles. Rental contracts are for periods of between 2 and 25 years. Lease terms are negotiated on a lease-by-lease basis and contain a variety of terms and conditions.

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

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

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

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

Underlying lease payments of both principal and interest are included in financing activities in the cash flow. Onerous lease payments of both principal and interest are included in non-underlying operating activities in the Statement of Cash Flows.

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

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

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

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

Notes to the Consolidated Financial Statements continued
For the year ended 30 April 2024

2. Accounting policies continued

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

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

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

Group as lessor

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

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

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

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

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

2.15 Retirement benefits

2.15a Defined contribution scheme

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

2.15b Defined benefit pension scheme

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

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

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

For the 'With Profit Section' contributions are recognised in the Consolidated Statement of Comprehensive Income in the period to which they relate as there is insufficient information available to use defined benefit accounting. A liability will be recognised based on the agreed share of the Group in the scheme. No liability has been recognised in the current or prior period on the basis that they are not deemed to be material.

2.16 Share-based payments

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

2.17 Financial instruments

Financial instruments are recognised on the date when the Group becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value.

Financial assets

Contract assets and trade and other receivables

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

Impairment of financial assets

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

Financial liabilities and equity

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

Trade and other payables

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

Deferred consideration

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

Borrowings

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

Derecognition of financial assets and liabilities

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

3. Accounting developments

New and amended IFRSs that are effective for the future

At the date of these financial statements, there are two new standards and amendments to IFRSs in issue but not yet effective and have therefore not been applied as set out below:

New and amended IFRSs	Effective date
Amendments to IAS1 Presentation of Financial Statements: Classification of Liabilities as Current and Non- current and Classification of Liabilities as Current or Non-current	1 January 2024
IFRS18 Presentation and Disclosure in Financial Statements	1 January 2027

The full impact of IFRS 18 on the financial statements is in the process of being reviewed, however the directors do not expect that the adoption of the standard will have a material impact on the financial statements of the Group in future periods. The directors do not expect that the amendments to IAS 1 will have a material impact on the financial statements of the Group in future periods.

Notes to the Consolidated Financial Statements continued
For the year ended 30 April 2024

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical accounting judgements

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

Amounts recoverable on contracts – contingent fee arrangements

A level of judgement is required to determine the likelihood of success of a given matter for contingent fee arrangements. This is determined on a contract-by-contract basis after considering the relevant facts and circumstances surrounding each matter. The valuation exercise is conducted by experienced professionals with a detailed understanding of the individual matters. The carrying value of contingent fee arrangements at 30 April 2024 was £13,070,000 (2023: £9,488,000).

IFRS 16

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

Business combinations

Management make judgements regarding the date of control of an acquisition in accordance with IFRS 10. The judgement considers the individual legal agreements on each transaction and the date at which the Group starts to exercise control over the activities of the subsidiary, usually the date of exchange of contracts. Financial performance of the acquisitions is included in the consolidated Group from the deemed date of control.

Alternative performance measures ('APMs')

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

Key sources of estimation uncertainty

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

IFRS 16

The Group makes estimates of the cost of restoring leased assets to their original condition when required to do so under the terms and conditions of the lease. Those estimates are based on the current condition of the leased assets and past experience of restoration costs. As at 30 April 2024 the Group had total provisions of £4,761,000 (2023: £4,827,000) (see note 33).

Amounts recoverable on contract assets– recoverable amounts

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

This percentage represents management's best estimate of future value following a line by line review of the matters by professionals. The estimation process takes into account the progress of the case at the reporting date, the estimated eventual fee payable by the client and the amount of time which will be incurred in bringing the matter to a successful conclusion. The amount recognised in AROC at the year end was £40,191,000 (2023: £38,215,000), a 3% change in the estimated recovery of all matters would impact the profit for the period by approximately £1,469,000 (2023: £1,407,000).

Accounting for business combinations and valuation of acquired intangibles

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

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

The total carrying value of acquired intangibles (excluding brands) is £20,027,000 (2023: £23,158,000). In order to assess the impact of the key assumptions on the values disclosed in the Financial Statements the Directors have applied the following sensitivities to the acquisitions in the current year:

Key assumption	Rate applied in the financial statements	Sensitivity tested	Annual profit impact £'000	Value of intangible assets £'000
Long term growth rate	2%	0%	–	–
WACC and IRR	8.4%[1]	Increase by 5%	14	(16)
Length of customer relationships	3 – 4.8 years	Increase of 5 years	(26)	161

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

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

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

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

Intangible Assets – carrying amount of goodwill – impairment review

The Directors undertake an annual impairment review of goodwill to assess whether the carrying value of £61,788,000 is still supported by using a discounted cash flow model to derive the value in use of the cash generating unit ('CGU'). Cash flow forecasts are derived from the most recent financial budgets approved by management for the next three years and extrapolated using a terminal value calculation.

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

Revenue growth over the three years of the forecast period reflects, for FY25, the current run rate of revenue from the Group's existing business and a full year of revenue from acquisitions made during the year ended 30 April 2024, with an element of organic growth in FY26 and FY27. The long-term growth rate of 2% (2023: 2%) is based on UK economic growth forecasts for the legal services market.

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

5. Revenue

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

The transaction price allocated to unsatisfied performance obligations of contracts at 30 April 2024 is not required to be disclosed because it is comprised of contracts that are expected to have a duration of one year or less.

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

6. Segmental reporting

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

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

Notes to the Consolidated Financial Statements continued
For the year ended 30 April 2024

7. Other operating income

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Other income	**758**	1,033
Bank interest on client monies	**9,681**	5,685
	10,439	6,718

8. Staff costs

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

	Year ended 30 April 2024 Number	Year ended 30 April 2023 Number
Fee earners	**1,131**	1,154
Other employees	**298**	288
	1,429	1,442

Their aggregate remuneration comprised:

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Wages and salaries	**80,456**	76,392
Social security costs	**9,053**	8,675
Other pension costs	**2,615**	2,520
Share-based payment charge	**1,131**	1,265
Other employment costs	**1,097**	936
Aggregate remuneration of employees	**94,352**	89,788
Redundancy costs and share-based payment charges analysed as non-underlying costs	**(1,345)**	(1,376)
Underlying staff costs in Consolidated Statement of Comprehensive Income	**93,007**	88,412

Directors' remuneration
Companies Act disclosures

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

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Salaries, fees, bonuses and benefits in kind	**749**	838
Money purchase pension contributions	**7**	7
	756	845

The number of directors to whom benefits are accruing under money purchase pension schemes is 1 (2023: 2).

The remuneration of the highest paid director was:

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Salaries, fees, bonuses, benefits in kind and gains on exercise of options	**315**	300

9. Share-based payments

The Group issues equity-settled share-based payments to its employees. The Group recognised total expenses of £1,131,000 (2023: £1,265,000) relating to equity-settled share-based payment transactions in the year. £1,121,000 (2023: £1,248,000) is recognised within staff costs, and £10,000 (2023: £17,000) is classified as non-underlying costs.

Any charges relating to schemes introduced as one-off schemes as part of the listing on AIM in 2018 are included in non-underlying costs because in the directors view these schemes were as a reward to employees for their past performance prior to the IPO and on acquisitions. All charges relating to other recurring LTIP or SAYE schemes are included as a normal operating expense.

The following schemes were in place during the period:

Omnibus Plan

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

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

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

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

	Restricted stock awards		Performance share awards	
	Number	**Weighted average exercise price Pence**	**Number**	**Weighted average exercise price Pence**
Outstanding at 1 May 2022	461,411	0.2	344,038	0.2
Granted during the period	2,663,854	0.2	167,476	0.2
Dividend equivalents awarded	94,844	0.2	19,374	0.2
Forfeited during the period	(27,883)	0.2	(163,824)	0.2
Exercised during the period	(21,572)	0.2	–	–
Outstanding at 30 April 2023	3,170,654	0.2	367,064	0.2
Exercisable at 30 April 2023	222,929	0.2	–	–
Granted during the period	433,332	0.2	–	0.2
Dividend equivalents awarded	144,200	0.2	9,471	0.2
Forfeited during the period	(105,912)	0.2	(138,397)	0.2
Exercised during the period	(100,184)	0.2	–	–
Outstanding at 30 April 2024	**3,542,090**	**0.2**	**238,138**	**0.2**
Exercisable at 30 April 2024	**992,586**	**0.2**	**–**	**–**

The options outstanding at 30 April 2024 had a weighted average exercise price of 0.2p and a weighted average remaining contractual life of 1.25 years. The average share price for options exercised during the year was 109.04p.

During the year 433,332 options were granted as restricted stock awards. The maximum term of any award is three years.

The aggregate of the estimated fair values of the options granted during the year was £414,000. The model used is based on intrinsic values and the inputs are as follows:

Date Granted	Number of Shares	Fair Value £	Share Price (p)	Exercise Price (p)	Expected Life	Type of award
25 July 2023	333,332	292,665	88.0	0.2	3.0 years	Restricted stock
29 November 2023	30,000	28,740	96.0	0.2	0.0 years	Restricted stock
06 February 2024	70,000	92,260	132.0	0.2	1.9 years	Restricted stock

Notes to the Consolidated Financial Statements continued
For the year ended 30 April 2024

9. **Share-based payments** continued

Share Incentive Plan ('SIP')
The SIP is an "all employee" scheme under which every eligible employee within the Group was invited to participate. The original SIP scheme was launched in September 2019, eligible employees could apply to invest up to £1,800 from pre-tax income in partnership shares; matching shares were awarded on the basis of two free matching shares for each partnership share purchased.

In January 2024, the Group launched a new 'evergreen' SIP scheme which allows eligible employees to purchase shares each month with the maximum investment per employee per year being £1,800. Matching shares are awarded on the basis of one free matching share for every two partnership shares purchased.

Under both schemes, matching shares are forfeited if the employee leaves within three years of the grant date.

	Partnership Shares Number	Matching Shares Number	Dividend Shares Number
Outstanding at 1 May 2022	124,345	248,691	–
Withdrawn during the period	(6,149)	–	–
Forfeited during the period	–	(12,298)	–
Outstanding at 30 April 2023	118,196	236,393	–
Unrestricted at 30 April 2023	118,196	236,393	–
Granted during the period	48,856	24,418	16,188
Withdrawn during the period	(37,219)	–	–
Reallocated during the period	(6,766)	(12,733)	19,499
Forfeited during the period	–	(70,351)	(4,784)
Outstanding at 30 April 2024	**123,067**	**177,727**	**30,903**
Unrestricted at 30 April 2024	**74,285**	**153,346**	**30,903**

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

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

	SAYE options	
	Number	Weighted average exercise price Pence
Outstanding at 1 May 2022	1,866,427	289
Forfeited during the period	(996,259)	274
Outstanding at 30 April 2023	870,168	306
Exercisable at 30 April 2023	133,334	361
Forfeited during the period	(569,621)	310
Outstanding at 30 April 2024	**300,547**	**298**
Unrestricted at 30 April 2024	**7,977**	**361**

The options outstanding at 30 April 2024 had a weighted average exercise price of 298p and a weighted average remaining contractual life of 1.00 years.

February 2020 scheme

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

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

The February 2020 scheme matured on 31 March 2023, the number of share options exercised in respect of this scheme as at 30 April 2024 is 2,622. There are 133,334 share options which remain exercisable.

March 2022 Scheme

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

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

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

10. Retirement benefit schemes

The Group operates a defined contribution pension scheme for employees. The total cost charged to income of £2,615,000 (2023: £2,520,000) represents contributions payable to the scheme by the Group. As at 30 April 2024, total contributions of £551,000 (2023: £515,000) due in respect of the reporting period had not been paid over to the schemes.

The defined benefit impact is discussed in note 39. There were no charges against income in the year ended 30 April 2024.

11. Depreciation and amortisation charges

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Depreciation	**2,656**	2,364
Depreciation on right-of-use assets	**5,607**	5,706
Amortisation on computer software	**103**	103
Loss on disposal of property, plant and equipment	**144**	2
Underlying depreciation and amortisation charges in Consolidated Statement of Comprehensive Income	**8,510**	8,175
Amortisation on acquired intangibles	**3,580**	3,441
	12,090	11,616

Amortisation on acquired intangibles has been separately identified within overall depreciation and amortisation charges as it is deemed to be a non-underlying cost, on the basis that it relates to acquisitions. As such in the year ended 30 April 2023 it has been reclassified to enable clearer presentation of the non-underlying items included within operating profit. This has not resulted in any change to reported operating profit.

12. Other operating charges

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Establishment costs	**7,775**	6,888
Short term and low value lease costs	**247**	302
Other overhead expenses	**20,196**	19,349
	28,218	26,539

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13. Non-underlying costs

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Redundancy and reorganisation staff costs	**1,335**	1,359
Share-based payment charges	**10**	17
Contingent acquisition payments treated as remuneration	**2,824**	4,436
Impairment of right-of-use assets	**153**	38
(Profit) on disposal of right-of-use assets	**(125)**	–
Loss/(profit) on disposal of property, plant and equipment	**930**	(12)
Non-underlying gains on disposal	**–**	(318)
Transaction costs	**1,503**	953
Non-underlying operating costs	**6,630**	6,473
Non-underlying finance costs	**281**	152
	6,911	6,625

Non-underlying costs cash movement

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Non-underlying costs	**6,911**	6,625
Adjustments for:		
Contingent acquisition payments shown separately	**(2,824)**	(4,436)
Non-cash movements:		
Share-based payment charge	**(10)**	(17)
Impairment of right-of-use assets	**(153)**	(38)
Profit on disposal of right-of-use assets	**449**	–
(Loss)/profit on disposal of property, plant and equipment	**(930)**	12
Non-underlying gains on disposal	**–**	318
Transaction costs	**(443)**	218
Non-underlying finance costs	**(281)**	(152)
Additional cash movements:		
Rental payments on onerous leases	**605**	543
Service charge payments on onerous leases	**104**	92
Dilapidation payments	**818**	–
Receipt for sale of HPL fixed assets	**–**	(24)
	4,246	3,141

Non-underlying costs relate to redundancy costs to streamline the support function of the Group following acquisitions or strategic reorganisations, transaction costs in respect of acquisitions, onerous lease costs in respect of acquisitions, disposals of acquired assets and share-based payment charges relating to one off share schemes offered to employees as part of the IPO and on acquisitions.

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

14. Finance costs

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Interest on borrowings	**3,402**	2,135
Interest on leases	**1,537**	1,526
	4,939	3,661

15. Finance income

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Loan interest receivable	**23**	–
Lease interest receivable	**66**	52
	89	52

16. Auditor's remuneration

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Fees payable to the parent company's auditor and their associates for the audit of the parent company's annual accounts	**50**	43
Fees payable to the auditor and their associates for other services to the Group:		
• The audit of the Company's subsidiaries	**170**	150
Total audit fees	**220**	193
• Audit-related assurance services	**25**	22
Total non-audit fees	**25**	22

17. Taxation

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Corporation tax:		
Current year	**4,991**	4,208
Adjustments in respect of prior years – non-recurring	**–**	(161)
Adjustments in respect of prior years	**218**	39
	5,209	4,086
Deferred tax:		
Origination and reversal of temporary differences	**(225)**	(1,072)
Effect of change in tax rates	**–**	122
Adjustment in respect of prior years	**–**	449
	(225)	(501)
Tax expense for the year	**4,984**	3,585

Notes to the Consolidated Financial Statements continued
For the year ended 30 April 2024

17. Taxation continued

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

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Profit before tax	**14,831**	11,529
Tax at the UK corporation tax rate of 25% (2023: 19.5%)	**3,708**	2,248
Expenses that are not deductible in determining taxable profit	**1,058**	679
Partnership tax paid on acquired subsidiaries	**–**	209
Effect of change in tax rates	**–**	122
Adjustment in respect of prior years – non-recurring	**–**	289
Adjustment in respect of prior years	**218**	38
Tax expense for the year	**4,984**	3,585
Consisting of:		
Taxation – underlying	**6,598**	4,304
Tax impact of non-underlying costs	**(1,614)**	(1,129)
Non-recurring tax charge	**–**	410

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

	Year ended 30 April 2024			Year ended 30 April 2023		
	Total £'000	Underlying £'000	Non-Underlying £'000	Total £'000	Underlying £'000	Non-Underlying £'000
Profit before tax	**14,831**	**25,322**	**(10,491)**	11,529	21,595	(10,066)
Tax expense	**4,984**	**6,598**	**(1,614)**	3,175	4,304	(1,129)
Effective rate of tax	**34%**	**26%**	**15%**	28%	20%	11%
Change in tax rate	**–**	**–**	**–**	122	–	122
Other non-recurring tax credits	**–**	**–**	**–**	288	–	288
Non-recurring tax charge	**-**	**-**	**–**	410	-	410
Total tax charge	**4,984**	**6,598**	**(1,614)**	3,585	4,304	(719)
Effective rate of tax (post effect of non-underlying)	**34%**	**26%**	**15%**	31%	20%	7%

18. Earnings per share

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

	Year ended 30 April 2024 Number	Year ended 30 April 2023 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**85,840,067**	85,597,833
Effect of dilutive potential ordinary shares:		
Share options	**2,778,654**	878,031
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**88,618,721**	86,475,864

	£'000	£'000
Profit after tax	**9,847**	7,944

Earnings per share	Pence	Pence
Basic earnings per share	**11.47**	9.28
Diluted earnings per share	**11.11**	9.19

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

19. Dividends

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 30 April 2023 of 2.50p per share (2022: 2.04p)	**2,145**	1,749
Interim dividend for the year ended 30 April 2024 of 1.61p per share (2023: 1.53p per share)	**1,380**	1,312
	3,525	3,061

For the year ended 30 April 2024 the Board have proposed a final dividend of 2.79p per share (2023: 2.50p per share). The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the register of members on 30 August 2024. The payment of this dividend will not have any tax consequences for the Group.

Notes to the Consolidated Financial Statements continued
For the year ended 30 April 2024

20. Intangible assets and goodwill

	Goodwill £'000	Brand £'000	Customer relationships £'000	Purchased computer software £'000	Total £'000
Cost					
As at 1 May 2022	51,762	5,401	33,731	603	91,497
Acquisitions of subsidiaries	7,764	–	1,609	–	9,373
Adjustments	213	–	(29)	(10)	174
Additions	–	–	–	71	71
Disposals	(78)	–	(177)	(169)	(424)
As at 30 April 2023	59,661	5,401	35,134	495	100,691
Acquisitions of subsidiaries	**2,049**	**–**	**395**	**–**	**2,444**
Adjustments	**78**	**–**	**–**	**–**	**78**
Additions	**–**	**–**	**–**	**40**	**40**
Disposals	**–**	**–**	**(1,097)**	**–**	**(1,097)**
As at 30 April 2024	**61,788**	**5,401**	**34,432**	**535**	**102,156**
Amortisation and impairment					
As at 1 May 2022	–	378	8,609	338	9,325
Adjustments	–	–	(3)	(10)	(13)
Amortisation charge	–	54	3,387	103	3,544
Eliminated on disposal	–	–	(17)	(169)	(186)
As at 30 April 2023	–	432	11,976	262	12,670
Amortisation charge	**–**	**54**	**3,526**	**103**	**3,683**
Eliminated on disposal	**–**	**–**	**(1,097)**	**–**	**(1,097)**
As at 30 April 2024	**–**	**486**	**14,405**	**365**	**15,256**
Carrying amount					
At 30 April 2024	**61,788**	**4,915**	**20,027**	**170**	**86,900**
At 30 April 2023	59,661	4,969	23,158	233	88,021
At 30 April 2022	51,762	5,023	25,122	265	82,172

As noted in the prior year accounts, the initial accounting for the business combination which occurred at the end of the prior year was not complete. During the year further information has come to light about estimated provisions which existed at the acquisition date but were subsequently identified as being understated. This has resulted in adjustments of £78,000 being made to goodwill during the year.

The carrying amount of goodwill of £61,788,000 (2023: £59,661,000) has been allocated to the single cash generating unit ('CGU') present in the business, which is the provision of legal and professional services.

The recoverable amount of the Group's goodwill has been determined by a value in use calculation using a discounted cash flow model. The Group has prepared cash flow forecasts derived from the most recent financial budgets approved by management for the next three years after which cash flows are extrapolated using a terminal value calculation based on an estimated growth rate of 2% (2023: 2%). This rate does not exceed the expected average long-term growth rate for the UK legal services market.

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

The rate used to discount the forecast cash flows is based on a pre tax estimated weighted average cost of capital of 13.4% (2023: 11.1%).

Revenue growth over the three years of the forecast period reflects, for FY25, the current run rate of revenue from the Group's existing business and a full year of revenue from acquisitions made during the year ended 30 April 2024, and an element of organic growth in FY26 and FY27 through continued recruitment and increases in chargeable hours and recovered rates. The long-term growth rate is based on UK economic growth forecasts for the legal services market.

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

21. Acquisitions

Acquisitions summary

During the year the Group has completed two acquisitions St James' Law Limited and Baines Wilson LLP. The table below summarises the consideration paid and the net cash flow arising on all acquisitions in the period:

	Total £'000
Total identifiable assets less liabilities acquired	647
Goodwill	2,049
Total consideration	**2,696**
Satisfied by:	
Cash	2,462
Deferred consideration arrangement	234
Total consideration transferred	**2,696**
Net cash outflows arising on acquisition:	
Cash consideration net of cash acquired	1,888
Net investing cash outflow arising on acquisition	**1,888**
Repayment of debt acquired	661
Net financing cash outflow arising on acquisition	**661**
Repayment of debt in future years	**638**

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

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

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Baines Wilson Limited Liability Partnership ('BW')

On 1 May 2023 the Group exchanged contracts to acquire BW by purchasing the controlling membership interests of the entity. This acquisition completed on 2 June 2023. BW is a law firm which will strengthen Knights' presence in the North of England and provides entry into a new location with an office in Carlisle.

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

	Carrying amount £'000	Fair value adjustment £'000	Total £'000
Identifiable assets			
Identifiable intangible assets	–	383	383
Property, plant and equipment	409	27	436
Contract assets	94	–	94
Trade and other receivables	685	–	685
Cash and cash equivalents	302	–	302
Liabilities			
Trade and other payables	(295)	–	(295)
Borrowings	(130)	–	(130)
Provisions	(30)	–	(30)
Deferred tax	(16)	(96)	(112)
Total identifiable assets and liabilities	**1,019**	**314**	**1,333**
Goodwill			1,062
Total consideration			**2,395**

Satisfied by:	
Cash	2,395
Total consideration transferred	**2,395**

Net cash outflow arising on acquisition:	
Cash consideration (net of cash acquired)	2,093
Repayment of debt	130
Net cash outflow arising on acquisition	**2,223**

Intangibles relating to customer relationships of £383,000 has been arrived at using the excess earnings method. The goodwill of £1,062,000 represents the assembled workforce, with the acquisition bringing a number of new fee earners and expected synergies. None of the goodwill is expected to be deductible for income tax purposes.

A contingent acquisition payments arrangement was entered into as part of the acquisition. This is contingent on the sellers remaining in employment by the Group and it has therefore been excluded from the consideration and will be recognised in the Consolidated Statement of Comprehensive Income on a straight-line basis as a remuneration expense over the 3 years post-acquisition period. This is recognised within non-underlying operating costs.

The maximum undiscounted amount of all potential future payments under the contingent acquisition payments arrangement is £1,020,000 and is payable in equal instalments on the first, second and third anniversary of completion.

BW contributed £3,376,000 of revenue to the Group's Consolidated Statement of Comprehensive Income for the period from 1 May 2023 to 30 April 2024. The profit contributed is not separately identifiable due to the hive-up of its trade and assets being incorporated into Knights Professional Services Limited from 2 June 2023.

St James' Law Firm Limited ('SJS')

On 1 May 2023 the Group exchanged contracts to acquire SJS by purchasing the controlling membership interests of the entity. This acquisition completed on 16 June 2023. SJS is a law firm which will strengthen Knights' presence in the North East of England and provides entry into a new location with an office in Newcastle.

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

	Carrying amount £'000	Fair value adjustment £'000	Total £'000
Identifiable assets			
Identifiable intangible assets	–	12	12
Property, plant and equipment	30	(7)	23
Contract assets	250	–	250
Trade and other receivables	363	–	363
Cash and cash equivalents	272	–	272
Liabilities			
Trade and other payables	(406)	–	(406)
Borrowings to be repaid within the year	(531)	–	(531)
Borrowings to be repaid over 1 year	(638)	–	(638)
Provisions	(18)	–	(18)
Deferred tax	(10)	(3)	(13)
Total identifiable assets and liabilities	**(688)**	**2**	**(686)**
Goodwill			987
Total consideration			**301**

Satisfied by:	
Cash	67
Deferred consideration	234
Total consideration transferred	**301**

Net cash outflow arising on acquisition:	
Cash consideration (net of cash acquired)	(205)
Repayment of debt within the year	531
Net cash outflow arising on acquisition	**326**

Repayment of debt in future years	**638**

Intangibles relating to customer relationships of £12,000 has been arrived at using the excess earnings method. The goodwill of £987,000 represents the assembled workforce, with the acquisition bringing a number of new fee earners and expected synergies. None of the goodwill is expected to be deductible for income tax purposes.

A contingent acquisition payments arrangement was entered into as part of the acquisition. This is contingent on the sellers remaining in employment by the Group so it has been excluded from the consideration and will be recognised in the Consolidated Statement of Comprehensive Income on a straight-line basis as a remuneration expense over the 2 years post acquisition period. This is recognised within non-underlying operating costs.

The maximum undiscounted amount of all potential future payments under the contingent acquisition payments arrangement is £100,000 and is payable in equal instalments on the first and second anniversary of completion.

There are also undiscounted deferred consideration payments totalling £252,000 outstanding. These are payable in instalments on the first and second anniversaries of completion.

SJS contributed £1,676,000 of revenue to the Group's Consolidated Statement of Comprehensive Income for the period from 1 May 2023 to 30 April 2024. The profit contributed is not separately identifiable due to the hive-up of its trade and assets being incorporated into Knights Professional Services Limited from 16 June 2023.

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22. Investments

On 28 March 2024, the Group acquired 50% of the share capital of Convex Corporate Finance Limited as part of a joint venture with key management personnel of Convex Corporate Finance Limited. The initial investment was £50,000 and each joint venturer has equal voting rights. No share of net assets has been recognised in the Group during the year as the first £1,000,000 of profits in each financial year are allocated to the key management personnel of Convex Corporate Finance.

During the year a £2,500,000 loan was made to Convex Corporate Finance Limited in order for them to carry out their operating activities. The loan attracts interest at 10% per annum. The loan and its associated interest is recognised in trade and other receivables greater than one year.

23. Property, plant and equipment

	Expenditure on short leasehold property £'000	Long leasehold property £'000	Office equipment £'000	Furniture and fittings £'000	Motor Vehicles £'000	Right-of-use assets £'000	Total £'000
Cost							
As at 1 May 2022	8,357	–	5,693	1,072	–	52,737	67,859
Acquisitions of subsidiaries	117	–	151	41	–	4,212	4,521
Additions	229	–	1,328	206	90	47	1,900
Disposals	(3)	–	(716)	(1)	–	(1,509)	(2,229)
Alignment	(10)	–	(4)	(1)	–	–	(15)
As at 30 April 2023	8,690	–	6,452	1,317	90	55,487	72,036
Acquisitions of subsidiaries	**7**	**380**	**35**	**37**	**–**	**–**	**459**
Additions	**5,297**	**–**	**1,424**	**1,444**	**–**	**7,076**	**15,241**
Disposals	**(1,178)**	**–**	**(1,410)**	**(262)**	**–**	**(11,346)**	**(14,196)**
Impairment	**–**	**–**	**–**	**–**	**–**	**(882)**	**(882)**
As at 30 April 2024	**12,816**	**380**	**6,501**	**2,536**	**90**	**50,335**	**72,658**
Depreciation and impairment							
As at 1 May 2022	1,619	–	2,819	444	–	12,074	16,956
Depreciation charge	857	–	1,369	127	11	5,706	8,070
Eliminated on disposal	(3)	–	(684)	1	–	(531)	(1,217)
Impairment	–	–	–	–	–	38	38
Alignment	(8)	–	(3)	(4)	–	–	(15)
As at 30 April 2023	2,465	–	3,501	568	11	17,287	23,832
Depreciation charge	**979**	**4**	**1,474**	**176**	**23**	**5,607**	**8,263**
Eliminated on disposal	**(422)**	**–**	**(1,257)**	**(95)**	**–**	**(5,864)**	**(7,638)**
Impairment	**–**	**–**	**–**	**–**	**–**	**(729)**	**(729)**
As at 30 April 2024	**3,022**	**4**	**3,718**	**649**	**34**	**16,301**	**23,728**
Carrying amount							
At 30 April 2024	**9,794**	**376**	**2,783**	**1,887**	**56**	**34,034**	**48,930**
At 30 April 2023	6,225	–	2,951	749	79	38,200	48,204
At 30 April 2022	6,738	–	2,874	628	–	40,663	50,903

Net impairment charges of £153,000 (2023: £38,125) due to leases being classified as onerous are included in non-underlying operating costs (see note 13).

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

24. Contract assets and liabilities

	Contract assets £'000	Trade receivables £'000	Contract liabilities £'000
At 30 April 2024	**40,191**	**25,931**	**(188)**
At 30 April 2023	38,215	23,610	(218)
At 30 April 2022	31,777	26,643	(237)

The movement during the year is not separately identifiable.

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

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

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

If the liability of a matter has been admitted and performance obligations satisfied, such that it is no longer contingent, these matters are valued based on the expected recoverable amount. Due to the complex nature of these matters, they can take a considerable time to be finalised therefore performance obligations may be settled in one period but the matter not billed until a later financial period. The amount of contingent fee work in progress at 30 April 2024 was £13,070,000 (2023: £9,488,000).

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

During the year, contract assets of £344,000 (2023: £2,457,000) were acquired in business combinations.

An impairment loss of £36,000 has been recognised in relation to contract assets in the year (2023: £41,000). This is based on the expected credit loss under IFRS 9 of these types of assets. The contract asset loss is estimated at 0.2% (2023: 0.2%) of the balance.

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

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

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

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25. Trade and other receivables

	30 April 2024 £'000	30 April 2023 £'000
Trade receivables	**26,694**	24,524
Impairment provision – trade receivables	**(763)**	(914)
Prepayments and other receivables	**6,822**	7,477
Amount owed from joint venture	**2,523**	–
	35,276	31,087

Trade and other receivables	30 April 2024 £'000	30 April 2023 £'000
> 1 year	**2,523**	–
< 1 year	**32,753**	31,087
	35,276	31,087

Trade receivables

The average credit period taken on sales is 28 days as at 30 April 2024 (2023: 30 days). No interest is charged on trade receivables. The Group uses appropriate methods to recover all balances once overdue. Once the expectation of recovery is deemed remote a debt may be written off.

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

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

	30 April 2024			30 April 2023		
	Gross carrying amount £'000	Expected credit losses £'000	Expected credit loss rate %	Gross carrying amount £'000	Expected credit losses £'000	Expected credit loss rate %
Not past due	**14,893**	**42**	**0.28**	13,108	40	0.31
31-60 days past due	**3,667**	**14**	**0.38**	2,961	16	0.55
61-90 days past due	**1,378**	**5**	**0.36**	1,099	10	0.85
91-120 days past due	**209**	**1**	**0.48**	187	4	2.01
>120 days past due	**2,176**	**605**	**27.80**	2,548	738	28.96
12 month ECL £'000	**22,323**	**667**	**2.99**	19,903	808	4.06

In addition to the above on trade receivables a further £96,000 (2023: £106,000) impairment loss has been recognised against disbursement balances (excluding CL Medilaw). This is based on 100% impairment against all disbursements with no activity on the matter for over 12 months and 0.3% against the remainder of the balance based upon the expected credit loss of this type of asset.

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

	2024 £'000	2023 £'000
Balance at 1 May	**914**	1,265
Increase in loss allowance recognised in profit and loss during the year	**489**	468
Acquired provisions	**129**	401
Receivables written off during the year as uncollectable	**(769)**	(1,220)
Balance at 30 April	**763**	914

26. Finance lease receivable

The Group sub-leases floors in three office buildings on head leases that were acquired in previous periods. The Group has classified the sub-leases as finance leases because the sub-leases are for the whole of the remaining term of the head leases.

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

	30 April 2024 £'000	**30 April 2023 £'000**
Less than one year	**424**	375
One to two years	**424**	375
Two to three years	**424**	375
Three to four years	**424**	375
Four to five years	**406**	375
More than five years	**225**	435
	2,327	2,310
Less: unearned finance income	**(330)**	(324)
	1,997	1,986

Finance lease receivable	**30 April 2024 £'000**	**30 April 2023 £'000**
> 1 year	**1,633**	1,671
< 1 year	**364**	315
	1,997	1,986

Total lease payments received for the year ended 30 April 2024 was £405,000 (2023: £237,000).

During the year, the Group sublet a floor in the Teesside office. The present value of this receivable was £350,000 and the right-of-use asset derecognised had a carrying value of £280,000. The profit of £70,000 has been recognised in non-underlying operating costs.

The Group's finance lease arrangements do not include variable payments.

The directors of the Group estimate the loss allowance on finance lease receivables at the end of the reporting period at an amount equal to lifetime ECL. None of the finance lease receivables at the end of the reporting period are past due, and considering the historical default experience and the future prospects of the sectors in which the lessees operate, the directors of the Group consider that no finance lease receivable is impaired.

27. Share capital

	Ordinary shares	
	Number	**£'000**
As at 1 May 2022	84,640,326	169
Changes during the period		
Ordinary shares of 0.2p each issued in respect of exercised share options	21,488	–
Ordinary shares of 0.2p each issued in respect of exercised share options equivalent to dividend entitlement	84	–
Ordinary shares of 0.2p each issued as consideration in the purchase of subsidiaries	1,152,078	2
At 30 April 2023 (allotted, called up and fully paid)	85,813,976	171
Changes during the period		
Ordinary shares of 0.2p each issued in respect of exercised share options	**100,184**	**–**
At 30 April 2024 (allotted, called up and fully paid)	**85,914,160**	**171**

Notes to the Consolidated Financial Statements continued
For the year ended 30 April 2024

28. Lease liabilities

Incremental borrowing rates applied to individual leases ranged between 1.7% and 8.3%.

The table below sets out the Consolidated Statement of Financial Position as at 30 April 2024 and 30 April 2023:

	30 April 2024 £'000	30 April 2023 £'000
Right-of-use assets		
Property	**33,496**	37,693
Equipment	**538**	507
	34,034	38,200
Lease liability		
> 1 year	**35,389**	38,585
< 1 year	**5,181**	6,331
	40,570	44,916

Right-of-use assets include additions and acquired assets of £6,565,000 (2023: £4,212,000) for property and £511,000 (2023: £47,000) for equipment. The related depreciation charge for the year is £5,127,000 (2023: £5,234,000) for property and £480,000 (2023: £472,000) for equipment.

The table below shows lease liabilities maturity analysis – contractual undiscounted cash flows at 30 April 2024:

	30 April 2024			30 April 2023		
	Property £'000	Equipment £'000	Total £'000	Property £'000	Equipment £'000	Total £'000
Less than one year	**6,810**	**188**	**6,998**	7,312	426	7,738
One to five years	**23,485**	**509**	**23,994**	23,473	86	23,559
More than five years	**20,342**	**–**	**20,342**	22,491	–	22,491
	50,637	**697**	**51,334**	53,276	512	53,788
Less unaccrued future interest	**(10,658)**	**(106)**	**(10,764)**	(8,849)	(23)	(8,872)
	39,979	**591**	**40,570**	44,427	489	44,916

The table below shows amounts recognised in the Consolidated Statement of Comprehensive Income for short-term and low value leases as at 30 April 2024:

	30 April 2024			30 April 2023		
	Property £'000	Equipment £'000	Total £'000	Property £'000	Equipment £'000	Total £'000
Expenses relating to short-term and low value leases	**215**	**32**	**247**	271	31	302

For right-of-use asset depreciation and lease interest charges on leases see note 11 and 14.

Total lease payments, including payments for short-term and low value leases, for the year ended 30 April 2024 were £7,502,000 (2023: £7,810,000).

29. Borrowings

	30 April 2024 £'000	30 April 2023 £'000
Secured borrowings at amortised cost:		
Bank loans	**39,800**	32,925
Other loans	**817**	340
Total borrowings	**40,617**	33,265
Amount due for settlement within 12 months	**468**	189
Amount due for settlement after 12 months	**40,149**	33,076

The above excludes lease liabilities.

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

The Group has a credit facility of £70,000,000 in total (2023: £60,000,000). The facility remains available until 7 November 2026.

The facility is a revolving credit facility and has the ability to roll on a monthly, quarterly, half yearly basis or any other period at the Group's option and is due for final repayment in November 2026. The facility is secured by a fixed and floating charge over the Group's assets. The facility carries an interest margin above SONIA of between 1.65% and 2.55% depending on the leverage level. A commitment fee of one third of the applicable margin is payable on the undrawn amounts.

30. Deferred consideration

	30 April 2024 £'000	30 April 2023 £'000
Non-current liabilities		
Deferred consideration	**350**	2,482
Current liabilities		
Deferred consideration	**2,591**	2,367

Deferred consideration as at 30 April 2024 relates to the acquisition of Langleys Solicitors LLP, Coffin Mew LLP and St James' Law Limited and is not contingent.

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

Notes to the Consolidated Financial Statements continued
For the year ended 30 April 2024

31. Deferred tax

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

	Accelerated capital allowances £'000	Intangible assets £'000	Share-based payments £'000	Unpaid employer contributions £'000	IFRS 16 £'000	Total £'000
As at 1 May 2022	1,392	7,782	(519)	–	(323)	8,332
Acquisitions of subsidiaries	–	403	–	–	159	562
Adjustments	–	(5)	–	–	–	(5)
Effect for change in tax rate	87	77	(73)	–	31	122
Non-underlying charge/(credit) for the year	–	(445)	296	–	598	449
Credit for the year	(103)	(780)	(163)	–	(26)	(1,072)
As at 30 April 2023	1,376	7,032	(459)	–	439	8,388
Acquisitions of subsidiaries	**26**	**99**	**–**	**–**	**–**	**125**
Charge/(credit) for the year	**947**	**(895)**	**(221)**	**(1)**	**(55)**	**(225)**
As at 30 April 2024	**2,349**	**6,236**	**(680)**	**(1)**	**384**	**8,288**

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

	30 April 2024 £'000	30 April 2023 £'000
Deferred tax assets	**(681)**	(459)
Deferred tax liabilities	**8,969**	8,847
	8,288	8,388

32. Trade and other payables

	30 April 2024 £'000	30 April 2023 £'000
Trade payables	**5,574**	5,531
Other taxation and social security	**7,435**	7,350
Other payables	**1,281**	2,410
Accruals	**5,645**	5,541
	19,935	20,832

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 22 days (2023: 25 days). No interest is payable on the trade payables.

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

Included within other payables is a contingent acquisition payments liability, this arises on acquisition and the liability is contingent on employees completing a specified length of service. As at 30 April 2024, £1,277,000 of contingent acquisition payments are included within other payables (2023: £2,404,000). The total potential value of the contingent liability is £2,960,000 (2023: £4,795,000).

33. Provisions

	Dilapidation provision £'000	Onerous contract provision £'000	Professional indemnity provision £'000	Total £'000
As at 1 May 2022	4,462	426	1,215	6,103
Acquisitions of subsidiaries	777	–	425	1,202
Additional provision in the year	44	8	500	552
Utilisation of provision	(456)	(152)	(814)	(1,422)
As at 30 April 2023	4,827	282	1,326	6,435
Acquisitions of subsidiaries	**38**	**–**	**10**	**48**
Additional provision in the year	**853**	**66**	**1,125**	**2,044**
Utilisation of provision	**(957)**	**(104)**	**(1,164)**	**(2,225)**
As at 30 April 2024	**4,761**	**244**	**1,297**	**6,302**
Consisting of:				
Non-current liabilities	**3,824**	**144**	**–**	**3,968**
Current liabilities	**937**	**100**	**1,297**	**2,334**

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

The onerous contract provision relates to services and other charges on vacant offices where the Group is the lessee. The Group is actively marketing these leases for reassignment. The provision represents the Directors' estimate of the future lease payments and other associated property costs to be paid by the Group prior to reassignment of the leases. The onerous contracts provision also includes contracts acquired via acquisition that are no longer utilised but are non-cancellable. The provision represents the remaining payments and other associated property costs under the terms of the lease. Future lease payments are offset against the provision.

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

34. Financial instruments

Categories of financial instruments

	30 April 2024 £'000	30 April 2023 £'000
Financial assets		
Amortised cost		
Contract assets	**40,191**	38,215
Trade and other receivables (excluding prepayments)	**29,134**	24,715
Lease receivable	**1,997**	1,986
Cash and cash equivalents	**5,453**	4,045
Financial liabilities		
Amortised cost		
Borrowings	**40,617**	33,265
Deferred consideration	**2,941**	4,849
Trade and other payables	**11,223**	11,077
Leases	**40,570**	44,916

Financial risk management objectives

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

Notes to the Consolidated Financial Statements continued
For the year ended 30 April 2024

34. **Financial instruments** continued

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

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

Interest rate risk management
The Group is exposed to interest rate risk because the Group borrows funds at floating interest rates. The risk is managed by the Group by keeping the level of borrowings at a manageable level. There is no significant interest rate risk in respect of temporary surplus funds invested in deposits and other interest-bearing accounts with financial institutions as the operations of the Group are not dependent on the finance income received.

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

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's profit for the year ended 30 April 2024 would decrease/increase by £203,000 (2023: decrease/increase by £166,000). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

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

Credit risk management
Note 25 details the Group's maximum exposure to credit risk and the measurement bases used to determine expected credit losses.

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

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

Measurement of fair values
Financial assets and liabilities are measured in accordance with the fair value hierarchy and assessed as Level 1, 2 or 3 based on the following criteria:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

Contractual maturities of financial liabilities

30 April 2024	< 1 year £'000	1-2 years £'000	2-5 years £'000	Total £'000
Borrowings	**468**	**55**	**40,094**	**40,617**
Deferred consideration	**2,591**	**350**	**–**	**2,941**
Trade and other payables	**12,501**	**–**	**–**	**12,501**

30 April 2023	< 1 year £'000	1-2 years £'000	2-5 years £'000	Total £'000
Borrowings	189	33,028	48	33,265
Deferred consideration	2,367	2,328	154	4,849
Trade and other payables	13,482	–	–	13,482

Trade and other payables above exclude other taxation and social security costs.

The Group has met its covenant tests during the year.

For lease maturity see note 28.

Capital management

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

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

Gearing ratio

The gearing ratio at the year end is as follows:

	30 April 2024 £'000	30 April 2023 £'000
Borrowings (note 29)	**40,617**	33,265
Cash and cash equivalents	**(5,453)**	(4,045)
Net debt	**35,164**	29,220
Equity	**100,260**	92,807
	%	%
Net debt to equity ratio	**35**	31

Significant accounting policies

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

Notes to the Consolidated Financial Statements continued
For the year ended 30 April 2024

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

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Profit before taxation	**14,831**	11,529
Adjustments for:		
Amortisation on computer software	**103**	103
Amortisation on acquired intangibles	**3,580**	3,441
Depreciation – property, plant and equipment	**2,656**	2,364
Depreciation – right-of-use assets	**5,607**	5,706
Loss on disposal (net of £930,000 (2023: £12,000 profit) included in non-underlying costs)	**144**	2
Contingent acquisition payments	**2,824**	4,436
Other non-underlying operating costs	**3,806**	2,037
Non-underlying finance costs	**281**	152
Share-based payments	**1,121**	1,248
Finance income	**(89)**	(52)
Finance costs	**4,939**	3,661
Operating cash flows before movements in working capital	**39,803**	34,627
(Increase) in contract assets	**(1,632)**	(3,924)
(Increase)/Decrease in trade and other receivables	**(767)**	3,346
Increase/(Decrease) in provisions	**29**	(738)
(Decrease) in contract liabilities	**(29)**	(19)
(Decrease) in trade and other payables	**(1,150)**	(3,861)
Cash generated from operations	**36,254**	29,431

36. Changes in liabilities arising from financing activities

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

	Borrowings £'000	Leases £'000
As at 1 May 2022	33,153	46,528
New borrowings and leases	34,425	–
Acquired borrowings and leases	256	4,212
Interest charged	2,135	1,526
Interest paid	(2,135)	(1,526)
Non-cash movement	12	3
Repayment of debt acquired with prior year subsidiaries	(438)	–
Repayments	(34,156)	(5,439)
Amounts included in operating activities	13	(388)
As at 30 April 2023	33,265	44,916
New borrowings and leases	**23,200**	**6,690**
Acquired borrowings and leases	**638**	**–**
Finance costs	**3,402**	**1,537**
Interest and other finance costs paid	**(2,965)**	**(1,537)**
Unpaid interest not applied to principal	**(437)**	**–**
Non-cash movement	**5**	**(5,378)**
Repayment of debt acquired with prior year subsidiaries	**(166)**	**–**
Repayments	**(16,325)**	**(5,113)**
Amounts included in operating activities	**–**	**(545)**
As at 30 April 2024	**40,617**	**40,570**

37. Alternative performance measures

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

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

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

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

a) Underlying EBITDA

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

	Year ended 30 April 2024 £'000	**Year ended 30 April 2023 £'000**
Operating profit	**19,962**	15,290
Depreciation and amortisation charges (note 11)	**12,090**	11,616
Non-underlying operating costs (note 13)	**6,630**	6,473
Underlying EBITDA	**38,682**	33,379
Depreciation of right-of-use assets (note 11)	**(5,607)**	(5,706)
Interest on leases (note 14)	**(1,537)**	(1,526)
Lease interest receivable (note 15)	**66**	52
Underlying EBITDA post IFRS 16	**31,604**	26,199

b) Underlying profit before tax (PBT)

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

	Year ended 30 April 2024 £'000	**Year ended 30 April 2023 £'000**
Profit before tax	**14,831**	11,529
Amortisation on acquired intangibles (note 11)	**3,580**	3,441
Non-underlying operating costs (note 13)	**6,630**	6,473
Non-underlying finance costs (note 13)	**281**	152
Underlying profit before tax	**25,322**	21,595

Notes to the Consolidated Financial Statements continued
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37. Alternative performance measures continued

c) Underlying profit after tax ('PAT') and adjusted earnings per share ('EPS')
Underlying PAT and EPS are presented as alternative performance measures to show the underlying performance of the Group excluding the effects of amortisation of intangible assets, share-based payments and non-underlying items.

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Profit after tax	**9,847**	7,944
Amortisation on acquired intangibles (note 11)	**3,580**	3,441
Non-underlying costs (note 13)	**6,911**	6,625
Tax impact of non-underlying costs (note 17)	**(1,614)**	(1,129)
Non-recurring tax charge (note 17)	**–**	410
Underlying profit after tax	**18,724**	17,291
Underlying earnings per share	**Pence**	**Pence**
Basic underlying earnings per share	**21.81**	20.20
Diluted underlying earnings per share	**21.13**	20.00

Tax has been calculated at the corporation tax rate of 25% (2023: 19.5%) and deferred tax rate of 25% (2023: 25%).

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

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Cash generated from operations (note 35)	**36,254**	29,431
Tax paid	**(5,432)**	(2,424)
Net underlying cash outflow for IFRS 16 leases	**(6,245)**	(6,728)
Free cashflow	**24,577**	20,279
Underlying profit after tax	**18,724**	17,291
Cash conversion (%)	**131%**	117%

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

	30 April 2024 £'000	30 April 2023 £'000
Borrowings (note 29)	**40,617**	33,265
Cash and cash equivalents	**(5,453)**	(4,045)
Net debt	**35,164**	29,220

38. Capital commitments

As at 30 April 2024 there is a capital commitment of £6,342,000 (2023: £nil).

39. Defined benefit pension schemes

The Stonehams Pension Scheme

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

The Scheme was acquired as part of the acquisition of ASB Law where contracts were exchanged on 5 March 2020. Therefore, the disclosures below represent the period of ownership from 5 March 2020 to 30 April 2024. The scheme is closed and provides benefits for 38 legacy employees (now pensioners and deferred members).

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

The most recent comprehensive actuarial valuation of the Scheme was carried out as at 31 December 2021. The results of that valuation were updated to 30 April 2024 allowing for cashflows in and out of the Scheme and changes to assumptions over the period.

From March 2023 it was agreed that Employer contributions towards administration expenses would be deferred until January 2026. Administration expenses are to be met directly from the assets of the Scheme. The Group will separately meet the cost of the PPF levy.

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

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently assets are invested in a variety of funds, which will reduce volatility. The investment approach is reviewed every three years as part of the valuation process.
Interest risk	There is some hedging in the asset portfolio, but at a low level. A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability. The average duration of the Scheme's obligations is 12 years.

Actuarial assumptions

Principal actuarial assumptions

	30 April 2024 %	30 April 2023 %
Discount rate	**5.06**	4.66
Retail Prices Index ("RPI") Inflation	**3.57**	3.28
Consumer Price Index ("CPI") Inflation	**2.67**	2.38
Pension increase (LPI 5%)	**3.40**	3.16
Pension increase (LPI 2.5%)	**2.25**	2.17
Post retirement mortality	**106%/99% (m/f) S2PA CMI_2022 projections using a long-term improvement rate of 1.5% pa and initial addition of 0.3%**	90%/100% (m/f) S2PA CMI_2020 projections (with standard smoothing parameter of 7.5) using a long-term improvement rate of 1.0% pa
Commutation	**80% of members are assumed to take the maximum tax free cash possible using current commutation factors**	80% of members are assumed to take the maximum tax free cash possible using current commutation factors
Life expectancy at age 65 of male aged 65	**22.0**	22.6
Life expectancy at age 65 of female aged 65	**23.8**	24.2
Life expectancy at age 65 of male aged 45	**23.0**	23.6
Life expectancy at age 65 of female aged 45	**24.9**	25.4

The weighted average duration of the Scheme's obligations is 12 years.

Notes to the Consolidated Financial Statements continued
For the year ended 30 April 2024

39. Defined benefit pension schemes continued

The current asset split is as follows

	Asset allocation at 30 April 2024	Asset allocation at 30 April 2023
Equities and growth assets	**51%**	50%
Bonds, LDI and cash	**49%**	50%

	Value as at 30 April 2024 £'000	Value as at 30 April 2023 £'000
Fair value of assets	**2,132**	2,314
Present value of funded obligations	**(1,605)**	(1,736)
Surplus in scheme	**527**	578
Deferred tax	**–**	–
Net defined benefit surplus after deferred tax	**527**	578

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

	Value as at 30 April 2024 £'000	Value as at 30 April 2023 £'000
Low risk investment funds	**1,050**	1,156
Credit Investment funds	**647**	696
Cash	**435**	462
Fair value of assets	**2,132**	2,314

	30 April 2024 £'000	30 April 2023 £'000
Administration costs	**36**	39
Net interest on liabilities	**(27)**	(21)
Total charge to the Statement of Comprehensive Income	**9**	18

Remeasurements over the period since acquisition

	30 April 2024 £'000	30 April 2023 £'000
Loss on assets in excess of interest	**(115)**	(694)
Gain on scheme obligation from assumptions and experience	**31**	675
Loss on scheme obligations due to scheme experience	**8**	(77)
Gain on scheme obligations from demographic assumptions	**34**	–
Total remeasurements	**(42)**	(96)

The change in value of assets

	30 April 2024 £'000	30 April 2023 £'000
Fair value of assets brought forward	**2,314**	3,047
Interest on assets	**105**	91
Benefits paid	**(136)**	(91)
Administration costs	**(36)**	(39)
Loss on assets in excess of interest	**(115)**	(694)
Fair value of assets carried forward	**2,132**	2,314
Actual return on assets	**(10)**	(603)

Change in value of liabilities

	30 April 2024 £'000	30 April 2023 £'000
Value of liabilities brought forward	**1,736**	2,355
Interest cost	**78**	70
Benefits paid	**(136)**	(91)
Actuarial gain	**(73)**	(598)
Value of liabilities carried forward	**1,605**	1,736

Sensitivity of the value placed on the liabilities

Approximate effect on liability

	30 April 2024 £'000	30 April 2023 £'000
Discount rate		
Minus 0.50%	**93**	110
Inflation		
Plus 0.50%	**70**	89
Life Expectancy		
Plus 1.0 years	**49**	52

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

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

The With Profits Section of the Cheviot pension

Allocation of liabilities between employers

The With Profits Section was acquired as part of the acquisition of ASB Law where the transaction completed on 17 April 2020.

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

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

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

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

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

Estimated funding position as at 30 April:

	Scheme funding basis	
	30 April 2024 £'000	30 April 2023 £'000
Total assets	**58,300**	64,200
Total liabilities excluding expenses	**(63,000)**	(68,500)
Deficit	**(4,700)**	(4,300)
Funding level	**93%**	94%

Notes to the Consolidated Financial Statements continued
For the year ended 30 April 2024

39. **Defined benefit pension schemes** continued

Allocation to the Group
The estimated share of the Scheme liabilities is 0.790%.

Over the year to 30 April 2024, the Section's funding position is a small deficit.

	30 April 2024 £'000	30 April 2023 £'000
Estimated cost of providing benefits	**(498)**	(541)
Value of assets	**461**	507
Resulting deficit	**(37)**	(34)
Funding level	**93%**	94%

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

The Trustee continues to monitor the funding position.

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

40. Related party transactions

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

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

The Group leases a property from KPV Propco Ltd. During the year rents of £376,000 (2023: £376,000) were charged by KPV Propco Ltd to the Group. A lease of The Brampton, Newcastle-under-Lyme was granted for a term of 25 years from and including 24 July 2017 to 24 July 2039 at a current rent of £376,000 per annum (excluding VAT).

During the year Knights Professional Services Limited charged KPV Propco Ltd for professional services totalling £145,000 (2023: £nil) and a management fee of £40,000 (2023: £20,000).

At 30 April 2024, there was an amount of £24,000 owed by KPV Propco Ltd to the Group (2023: £16,000 owed by the Group to KPV Propco Ltd).

During the year Knights Professional Services Limited provided legal services to the Directors in an individual capacity of £10,000 (2023: £32,000). At 30 April 2024, there was an amount of £nil (2023: £nil) owed to the Group from the Directors.

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

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Short-term employee benefits and social security costs	**1,338**	1,422
Pension costs	**20**	20
Share-based payments	**(23)**	50
	1,335	1,492

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

Transactions with directors
Dividends totalling £789,000 (2023: £664,000) were paid in the year in respect of ordinary shares held by the Company's directors.

Company Statement of Financial Position
As at 30 April 2024

	Note	30 April 2024 £'000	30 April 2023 £'000
Assets			
Non-current assets			
Investments in subsidiaries	44	**4,343**	3,457
Amounts receivable from subsidiaries	45	**84,662**	81,584
		89,005	85,041
Current assets			
Trade and other receivables		**24**	22
Total assets		**89,029**	85,063
Equity and liabilities			
Equity			
Share capital		**171**	171
Share premium		**75,262**	75,262
Share-based payment reserve		**5,595**	4,464
Other reserve		**(100)**	(100)
Retained earnings		**7,472**	4,758
Equity attributable to owners of the Company		**88,400**	84,555
Current liabilities			
Trade and other payables		**413**	91
Corporation tax liability		**216**	417
Total liabilities		**629**	508
Total equity and liabilities		**89,029**	85,063

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own Statement of Comprehensive Income. The Company reported a profit for the year ended 30 April 2024 of £6,239,000 (2023: £2,602,000).

The financial statements were approved by the board and authorised for issue on 5 July 2024 and are signed on its behalf by:

Kate Lewis
Director

Registered No. 11290101

Company Statement of Changes in Equity
For the year ended 30 April 2024

	Share capital £'000	Share premium £'000	Share-based payments £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 May 2022	169	74,264	3,199	(100)	5,217	82,749
Profit for the period and total comprehensive income	–	–	–	–	2,602	2,602
Transactions with owners in their capacity as owners:						
Credit to equity for equity-settled share-based payments	–	–	1,265	–	–	1,265
Issue of shares	2	998	–	–	–	1,000
Dividends	–	–	–	–	(3,061)	(3,061)
At 30 April 2023	171	75,262	4,464	(100)	4,758	84,555
Profit for the period and total comprehensive income	**–**	**–**	**–**	**–**	**6,239**	**6,239**
Transactions with owners in their capacity as owners:						
Credit to equity for equity-settled share-based payments	**–**	**–**	**1,131**	**–**	**–**	**1,131**
Dividends	**–**	**–**	**–**	**–**	**(3,525)**	**(3,525)**
Balance at 30 April 2024	**171**	**75,262**	**5,595**	**(100)**	**7,472**	**88,400**

Notes to the Company Financial Statements

41. Accounting policies

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

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

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

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

Investments in subsidiaries

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

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

Investments in subsidiaries includes capital contributions to subsidiaries as a result of the issue of equity-settled share-based payments to employees of subsidiaries. The accounting policy for share-based payments is set out in note 2.16 to the consolidated financial statements.

42. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 41, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Recoverability of amounts due from subsidiaries

Due to the requirements of IFRS9, Management uses judgements to assess the recoverability of amounts receivable from subsidiaries through the potential proceeds from the sale of subsidiaries.

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

43. Profit for the year

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

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

The average monthly number of employees comprised of the executive directors and non-executive directors and was 5 (2023: 5). Their aggregate remuneration borne by the Company was £nil (2023: £nil). All remuneration is borne by a subsidiary entity and no recharge is made to the Company in respect of their services as it is not practicable to allocate the costs appropriately.

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

Notes to the Company Financial Statements continued

44. Investments in subsidiaries

	£'000
Cost and net book value	
At 1 May 2022	2,267
Capital contribution in respect of equity-settled share-based payments	1,265
Recharge of exercised share options	(75)
At 30 April 2023	3,457
Capital contribution in respect of equity-settled share-based payments	**1,131**
Recharge of exercised share options	**(245)**
At 30 April 2024	**4,343**

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

Details of the Company's subsidiaries at 30 April 2024 are as follows:

Name	Place of business and registered office address	Principal activity	Class of shares	Proportion of ownership interest %	Proportion of voting power held %
Knights 1759 Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Holding company	Ordinary	100%	100%
Knights Professional Services Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Provision of legal and professional services	Ordinary	100%	100%
Turner Parkinson LLP	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	99.99%	99.99%
Darbys Solicitors LLP	Midland House, West Way, Botley, Oxford, OX2 0PH	Dormant	N/A	99.99%	99.99%
BrookStreet des Roches LLP	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Non-trading	N/A	99.99%	99.99%
K & S Secretaries Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
K & S Directors Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
K & S (Nominees) Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
ASB Law LLP**	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	100%	100%
Shulmans LLP**	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	100%	100%
Mundays LLP**	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	100%	100%
K & S Trust Corporation Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Non-trading	Ordinary	100%	100%
Keebles LLP**	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	100%	100%
Archers Law LLP**	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	100%	100%
Langleys Solicitors LLP**	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	100%	100%
Coffin Mew LLP**	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Non-trading	N/A	100%	100%
CLM Trust Corporation Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Non-trading	Ordinary	100%	100%
Radnor Trustees Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
CLM Trustees Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%

Name	Place of business and registered office address	Principal activity	Class of shares	Proportion of ownership interest %	Proportion of voting power held %
Meade King LLP**	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Non-trading	N/A	100%	100%
Baines Wilson LLP*	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Non-trading	N/A	100%	100%
St James' Law Limited*	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Non-trading	Ordinary	100%	100%

* The acquired entities were active during the financial year but are dormant as at 30 April 2024.

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

45. Amounts receivable from subsidiaries

	30 April 2024 £'000	30 April 2023 £'000
Amounts receivable from subsidiaries	**84,662**	81,584

Amounts receivable from subsidiaries are unsecured and repayable on demand. Interest is charged at a rate of 5.75% per annum (5% per annum until 30 June 2023) and is payable annually on 30 April each year. Unpaid interest at 30 April each year is added to the principal of the loan.

The balances are considered recoverable (see note 42), therefore the Company has recognised a loss allowance of £nil (2023: £nil) against amounts receivable from subsidiaries.

46. Capital and reserves

The movements on share capital are disclosed in note 27 to the consolidated financial statements.

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

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

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

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

Glossary of terms

Alternative Performance Measures

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

Underlying EBITDA

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

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Operating profit	**19,962**	15,290
Depreciation and amortisation charges (note 11)	**12,090**	11,616
Non-underlying operating costs (note 13)	**6,630**	6,473
Underlying EBITDA	**38,682**	33,379
Depreciation of right of use assets	**(5,607)**	(5,706)
Interest on leases	**(1,537)**	(1,526)
Lease interest receivable	**66**	52
Underlying EBITDA post IFRS 16	**31,604**	26,199

Underlying EBITDA post IFRS 16 is used as a metric as this reflects the profits after deduction of rental costs which is most comparable to the EBITDA reported at IPO, before the introduction of IFRS 16.

Underlying Profit Before Tax ('PBT')

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

	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
Non-underlying operating costs (note 13)	**6,630**	6,473
Non-underlying finance costs (note 13)	**281**	152
Underlying profit before tax	**25,322**	21,595

Underlying Operating profit to Underlying Profit After Tax ('PAT')

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

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

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

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Profit after tax	**9,847**	7,944
Amortisation on acquired intangibles (note 11)	**3,580**	3,441
Non-underlying costs (note 13)	**6,911**	6,625
Tax impact of non-underlying costs (note 17)	**(1,614)**	(1,129)
Non-recurring tax charge (note 17)	**–**	410
Underlying profit after tax	**18,724**	17,291

Underlying earnings per share	**Pence**	**Pence**
Basic underlying earnings per share	**21.81**	20.20
Diluted underlying earnings per share	**21.13**	20.00

Free Cash Flow and Cash Conversion %

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

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

	Year ended 30 April 2024 £'000	Year ended 30 April 2023 £'000
Cash generated from operations (note 35)	**36,254**	29,431
Tax paid	**(5,432)**	(2,424)
Total cash outflow for IFRS 16 leases	**(6,245)**	(6,728)
Free cashflow	**24,577**	20,279
Underlying profit after tax	**18,724**	17,291
Cash conversion (%)	**131%**	117%

Net debt

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

	30 April 2024 £'000	30 April 2023 £'000
Borrowings (note 29)	**40,617**	33,265
Cash and cash equivalents	**(5,453)**	(4,045)
Net debt	**35,164**	29,220

Glossary of terms continued

Working Capital

Working capital is calculated as:

	30 April 2024 £'000	30 April 2023 £'000
Current assets		
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
Current liabilities		
Trade and other payables	**(19,935)**	(20,832)
Contract liabilities	**(188)**	(218)
Total current liabilities	**(20,123)**	(21,050)
Net working capital	**53,125**	48,404

Other Definitions

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

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

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

Top 50 clients
Based on fee income from the 50 largest clients for the year, excluding CL Medilaw and one off transactions.

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

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

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

Non-Fee Earners/Support Staff
This includes all employees that are not fee earning.

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

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

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

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

Shareholder information

Directors

DA Beech (appointed 4 April 2018)
KL Lewis (appointed 9 May 2018)
BS Johal (resigned 14 November 2023)
G Davies (appointed 17 March 2021)
J Pateman (appointed 14 January 2019)
D Wilson (appointed 14 November 2023)

Secretary

L Bridgwood (appointed 1 June 2018)

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