Knights plc

Annual Report and Accounts

8 July 2019

Our vision

is to be the leading legal and professional services business outside London.

Our mission

is to recruit and develop the very best talent, with each of us placing clients at the heart of everything we do.

Our purpose

is to challenge and change the delivery of legal and professional services; offering the very best client service in our sector.

Knights plc

A fast growing, legal and professional services business offering high-quality expertise across a full range of services.

Our strategy

To rapidly scale-up our proven business model by recruiting, acquiring and developing the best talent and businesses, who place clients at the heart of everything they do.

To consolidate the market and change the delivery model to offer the best service to clients.

Revenue Growth

33%

6yr CAGR

Underlying Profit Before Tax Growth*

68%

6yr CAGR*

Cash Conversion*

115%

+44%

Revenue

£53m

+51% (2018: £35m)

Reported Profit Before Tax

£5.2m

+26%

Underlying Profit Before Tax*

£9.8m

+104% (2018: £4.8m)

Absolute Fee Earners as 30 April 2019

520

+49% (349 at 30 April 2018)

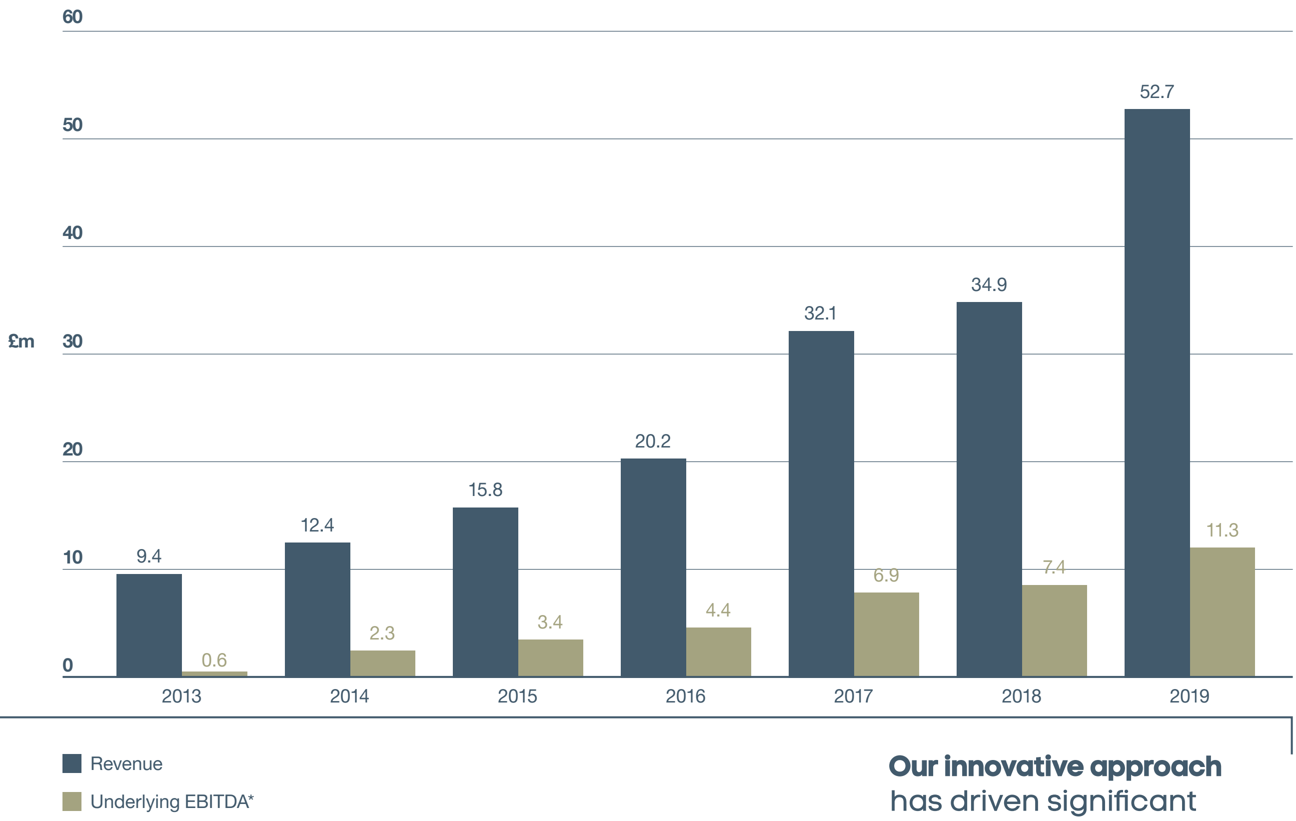
Offices

8

+33% (2018: 6 offices)

Financial Highlights

Strong Growth Track Record

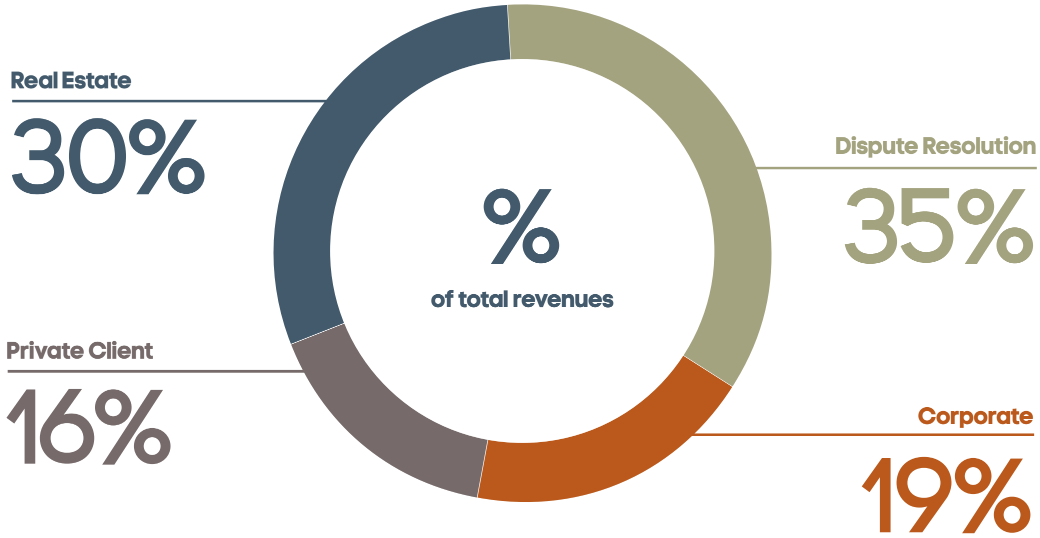


Our innovative approach has driven significant year on year growth, through a mix of double digit organic growth, and selective acquisitions, including four this year.

Note
* See Glossary on pages 131 - 133

At a Glance

A full suite of services strengthened by sector specialisms and non-legal services



Service line	Real Estate	Dispute Resolution	Corporate	Private Client
Service	Asset Management Construction Development Planning	Litigation Debt Recovery Employment Property Litigation	Commercial Mergers/Acquisitions Banking	Landed Estates Tax and Trusts Conveyancing Family
Sector specialisms and non legal services	Energy Environmental Mines and Minerals Town Planning	Education Healthcare Highway Claims Regulatory	Intellectual Property Health and Safety Financial Services Tax Planning	

What sets us apart

- **Market positioning**
  We are the dominant player in most of our chosen locations, offering a broad range of high-quality services from a lower cost base.
- **Team based culture**
  We believe clients are better served by teams than individuals, and collaboration releases untapped potential in our people.
- **Corporate structure**
  Clear separation between management and fee earners enables our professionals to focus on what they do best, serving the client.
- **Scalable operating model**
  Our infrastructure, systems and technology platforms enable fixed costs to be diluted as we grow, with new colleagues and acquisitions able to rapidly integrate into the business.

Our business is based on a foundation of high client and colleague satisfaction

Revenue (Strong 6 Yr Revenue CAGR) 33%

Healthy Underlying PBT* £9.8m

Strong Cash Generation (Targeted +75% going forward) 115%

Low Working Capital* (days lockup) 93

Long Client Relationships (for top 10) +10yrs

High Colleague Retention 90%+

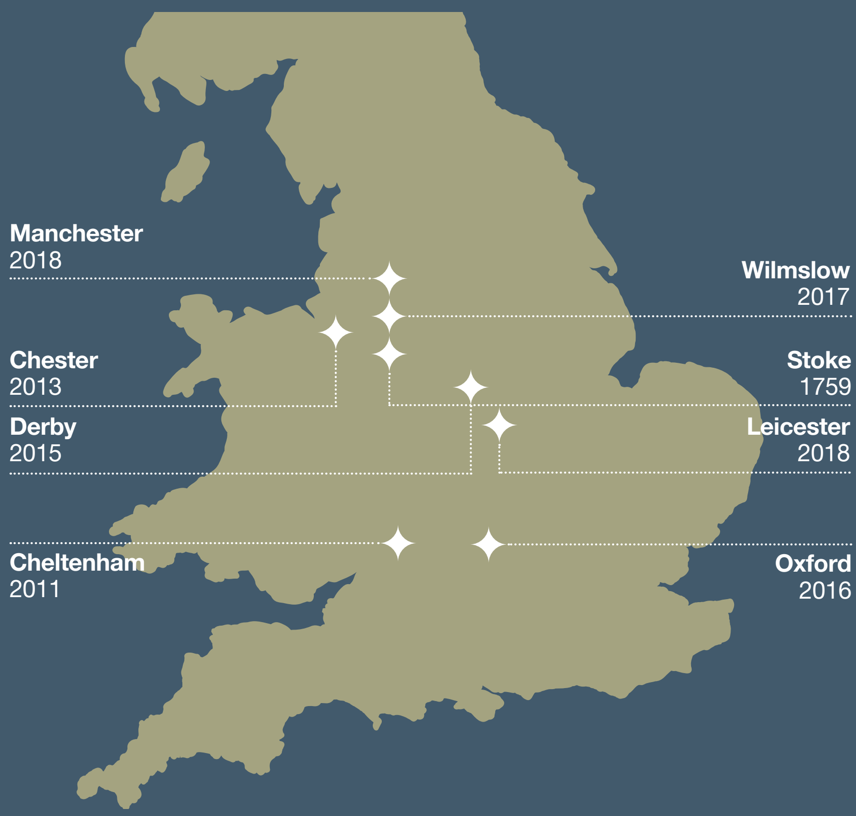
Low Client Concentration* 5%

High Client Satisfaction (NPS)* +69

High Colleague Satisfaction (ENPS)* +50

Low Fee Earner Concentration* 2%

Growing top tier positions outside London



Offices

8

Fee Earners

520

This year we entered the Manchester and Leicester market with two acquisitions and significantly expanded in Oxford.

Note

* See Glossary on pages 131 - 133

"I am delighted to introduce Knights' first annual report as an AIM-listed entity."

Balbinder ('Bal') Johal
Non-Executive Chairman

8 July 2019

Chairman's Statement

After a successful track record under private ownership, becoming a public company was the next logical step for Knights to achieve its vision of creating the leading legal and professional services business outside London.

As well as the reputational benefits of the transparency and recognition that come from being listed, a key advantage was that the people who had helped us build the business were able to participate in the listing; our people are delighted to be stake-holders in a public company.

We are already seeing the benefits of the listing as we attract a wider pool of potential talent and acquisition targets.

Our first year as a listed business has seen us deliver strongly on our strategy – both organically and by acquisition, with revenue and underlying profit before tax* up 51% and 104% respectively. This performance reflects organic revenue growth of 15%, complemented by our successful acquisitions during the year of Turner Parkinson, Spearing Waite, Cummins and BrookStreet des Roches which have all been integrated and are performing well.

Pioneering Business Model

Knights was the first organisation of its type in the UK legal sector to attract private equity investment, enabling us to move from the traditional partnership model to a corporate structure creating a clear separation between management/ ownership and fee earners. We are a legal and professional services bus-iness, not a law firm. A clear indicator of this is that only one member of our Board - our CEO, David - has a legal background, and he hasn't practised as a lawyer for 15 years. It also gives Knights a significant point of difference in that our profits are reinvested for growth, rather than having to distribute them to partners.

Knights is testament to the fact that quality legal advice doesn't have to sit in central London. Knights is a City-quality business, but the professionals and clients don't need to leave their home city to be part of it. If you walk into any of our offices, you will feel you've entered a central London firm in terms of the quality of our people and the service we provide. As well as fantastic professionals, the places in which we operate have great clients we can service. For instance, our client list includes McDonald's, Bupa, Prudential, and MBNA. As we have achieved critical mass, the size of our clients and the volume of work has grown. The benefit of our model is that we are able to work with local corporate clients as well as large national organisations that want to work with advisory firms of scale.

The Top 50 legal firms in the UK are not really looking to build a presence beyond cities such as Birmingham, Manchester or Leeds. In contrast, we are targeting towns and cities where we can be the leading legal and professional services business outside London. We work in a different way. Having a successful career in law doesn't have to mean working long hours with a long commute. We offer a genuine work-life balance for our colleagues.

Unique Culture

Knights' culture and values are vitally important differentiators, and underpin our considerable success in attracting and retaining both colleagues and clients. When we ask new starters about their first impression of Knights, the first word used is 'friendly'. Operating as a single team is a core part of our ethos, and we rotate Board meetings around our eight offices so that our senior team is as close to the activities of the business as possible.

A key measure of our culture is coll-eague retention, which is at market leading levels and ultimately leads to quality service for our clients. This also helps us achieve high levels of client retention, as our clients value the consistency of our service. Our relentless focus on doing these imp-ortant things well, supports a highly profitable and growing business.

Strong Governance

Public companies benefit from form-alised and transparent governance structures with the highest standards of compliance and ethics, and our stru-ctured approach is designed for the benefit of all stakeholders. We have a strong Board, including three Non-Executive Directors who bring a wealth of experience, and rigorous processes and standards. Complementing my role as Non-Executive Chairman, Steve Dolton is the Senior Independent Non-Executive Director. Steve has spent more than 20 years in senior financial roles, including CFO of NAHL plc, NSL Services Group and Azzurri Communi-cations, to name a few. Steve chairs our Audit Committee and is also a member of the Remuneration Committee.

During the year, Richard King moved from Non-Executive Director to Chief Operating Officer. To replace Richard, we were delighted to welcome Jane Pateman as a Non-Executive Director. Jane brings over 17 years' experience in senior HR roles to our Board. She chairs our Remuneration Committee and is also a member of the Audit Com-mittee. Jane is HR Director at Biffa PLC and her experience of leading people, project management and cultural integra-tion adds a significant asset to our Board.

Maiden Full Year Dividend

The Group's progressive dividend policy enables us to both retain profits to fund our long-term growth strategy and provide shareholders with a return as that growth strategy delivers strong results. In line with that policy, the Board is proposing a final dividend of 1.27p per share. Together with the interim divid-end of 0.6p per share, this gives a total dividend for the year of 1.87p per share. The dividend will be payable on 30/09/19 to shareholders in the register at 30/08/19, subject to share-holder approval.

Positive Outlook

The Group has delivered a strong performance and has a strengthened platform, with more diversified expert-ise, a broader geographical base and an expanded client base. Having also strengthened our leadership team and extended our funding during the year, we are well placed to deliver further cash generative, profitable growth as we execute our strategy in the current financial year and beyond.

Note
* See Glossary on pages 131-133

"It gives me great pleasure to report on a landmark year for Knights, our first as a public company."

David Beech
Chief Executive Officer

Chief Executive's Review

Knights has always done things differently: in 2012, we were the first organisation of our type in the UK legal sector to attract private equity investment, enabling us to move from the traditional partnership model to a corporate structure, creating a clear separation between management/ownership and fee earners.

IPO

The success of our model was reflected in very attractive growth over the following 6 years. Having reached a certain scale, becoming listed was the natural next step and would allow us to accelerate our progress towards achieving our ambition of becoming the leading legal and professional services business outside London.

Public companies benefit from transparency, as well as the recognition and trust of institutional shareholders. This has helped to increase our ability to attract team hires and prospective acquisition candidates by making it easier for them to understand the business that they will be joining.

Listing has enhanced our profile, such that acquisition candidates now approach us, and it is easier for groups of lawyers to assess the business they are looking to join. I believe that listing has helped us to maintain our high colleague retention rates.

Results-driven, Collaborative Culture

Our maiden year as a public company has seen further stellar growth for Knights. However, rather than being fixated on the numbers, I believe that it's the behaviours in a business that create the results. What I am most proud of is how culturally together we are. We're very clear on how we do business together and how we want to perform for clients, and financial results flow from this. We live and breathe our values, they are not just words on a wall. A business where people trust each other behaves very differently; I firmly believe that it's best to manage a business by walking around and being with our people, not by being removed, and I'm very proud of our colleague retention.

Growth Drivers

We have made substantial progress in line with our strategy to invest in organic growth, complimented by acquisitions.

Organic Growth

Organic growth is core to the Knights Business Model.

During the year we opened a modern and larger office in Manchester, which supports our plan to significantly increase our presence in the city over the next year. Turner Parkinson, which was rebranded as Knights on 1 February 2019, relocated there in the Spring.

The organic growth is a result of an increase in the average fees per fee earner* from £107,000 in FY 2018 to £131,000 in FY 2019, reflecting our focus on enhanced efficiency and productivity and increased fee earner numbers. Recruitment has continued into our existing and acquired offices, with 46 net recruits during the year. A successful recruitment drive in the second half of the year added to the number of fee earners and leaves us with a strong pipeline of new recruits expected to join in the coming months.

Acquisitions

In line with our strategy to acquire legal teams or firms offering geographic expansion into attractive regional markets or complementary business services, we have acquired four businesses since IPO. The acquisition of Manchester-based Turner Parkinson in June 2018 brought to the Group one of the top corporate law firms by deal volume in the North-West. With the acquisition of Spearing Waite in October 2018, we now own the leading independent legal services business in Leicester. Our presence in Leicester was further expanded with the acquisition in January 2019 of Cummins Solicitors, which added a high calibre employment specialist to the Group. April also saw the acquisition of Brook-Street des Roches in Oxford, one of the leading commercial law firms in the region, with a particularly strong reputation nationally for its real estate practice.

We have successfully integrated the acquired firms - both culturally and operationally - into our services business model, while carrying on with our day-to-day activities and also growing management capacity. Our ability to cope with this faster growth is a credit to our people, who have really stepped up and raised the bar.

Several of our acquisitions resulted from leading firms in their locations seeking to move to the next level of growth. With the traditional partnership-based structure of law firms, individual equity partners have different agendas. For example, some might want to retire, others are looking to work for the next 10 years but want financial security. Under our approach we are able to give equity partners a return for their life's work. They can de-risk financially and continue to work without the pressures of running a business, and without all of the ever increasing demands concerning compliance and technology investment. As part of Knights, former equity partners can forget all the worry and focus on what they like and do best, client work, and see their firm and themselves become part of a Group that's going to another level. We put people into attractive office spaces, we invest in them, and we bring in recognised, heavy hitting talent that they wouldn't have been able to attract as an independent firm – that's exciting.

Our sector is unique, in that we're not really acquiring businesses but rather dealing with partners of firms with very personal objectives.

> Having now completed 7 acquisitions, we've proven that we know how to talk to these equity partners in respect of their individual goals, and we've been able to pick up businesses by doing so. It's very different to M&A scenarios in other sectors.

We have a healthy pipeline of prospective acquisition candidates, and will continue to focus on those that align with our strategy and can be integrated into our culture.

Note
* See Glossary on pages 131–133

Financial Performance

Revenues increased by 51% to reach £52.7m (2018: £34.9m). Of this, £5.3m reflected organic growth, and £12.5m was derived from acquisitions in the period. Our on-going focus on profitability enabled us to maintain our underlying EBITDA* margin at 21.5% (2018: 21.5%), resulting in a 51% increase in underlying EBITDA* to £11.3m (2018: £7.5m).

Profit before tax (PBT) for the year increased by 26% to £5.2m (2018: £4.2m). Underlying PBT* increased by 104% to £9.8m (2018: £4.8m), resulting in a 55% increase in adjusted EPS* to 11.88p (2018: 7.68p).

External Market Trends

There are three segments of the UK legal market serving corporate clients. These are the top 20 global elite, a further tier of the top 50 firms with revenues between £100m and £400m who are facing increasing competition from the Big 4 accountancy firms, then a swathe of single office, independent firms. The independent segment is very interesting to us. These firms have typically reached a glass ceiling, are facing more and more pressure and risk, and are vulnerable to consolidation. We want to consolidate that third tier of independent law firms. We've acquired 4 this year, and will continue to acquire if there is alignment with our geographical strategy and cultural fit.

That approach will complement our organic growth, which is equally important to achieving our ambition.

When it comes to regulation, a lot has changed in the last decade, and compliance requirements concerning conduct when dealing with clients, for example, continue to gain momentum.

Many small independent law firms, because of a lack of technology and risk systems, struggle with even the basics of compliance. There is more and more pressure for thorough compliance, not only from the Solicitors Regulation Authority but also on account of increasing rates of cyberfraud. Many small firms also face real pressure in regard to compliance and risk, particularly in this ever increasing digital commercial environment. They don't have the resource or capability to carry out the required checks for financial transactions, and are consequently approaching larger businesses for protection. Firms really need to be robust and have the resources and investment to protect their businesses and people.

We have recently reached 700 people (compared to a typical independent firm with 50 people), and have the critical mass where we can invest to protect ourselves properly.

> "I would describe the business as having been through 2 phases and entering a third. Initially it was about proving the corporate model at a time when people were very cynical. Phase 2, over the last 2 to 3 years, was about attaining critical mass. We are now entering the third phase, about scaling the business model. The investment in the IPO, our Board and senior operational management are some of the building blocks that are ready to support the additional scale that we intend to achieve."

Note
* See Glossary on pages 131–133

Strategy

Our vision is to be the leading legal and professional services business outside London, and our model has benefits for clients and our people. We're achieving this in 3 ways:

1 Investment

The profit we make is not distributed to partners, it is reinvested into the business, which is reflected in the quality of our recruits, infrastructure, technology, and offices. We want to be leading edge in terms of our offices and technology, and have opened two new offices this year. The appointment of Richard King to our newly created Chief Operating Officer role is also an indication of our ability to attract external talent to the Group.

2 Organic Growth

An increasing number of clients and lawyers want to join us. We had 46 net new joiners last year.

3 Acquisitions

Where we have opportunities around the country, we will make selected acquisitions for the purposes of geographical infill and also potentially to add new practice areas. In our first year as a PLC we have made 4 acquisitions.

Outlook

I am delighted with the strength of our first set of annual results as a listed business. The IPO and subsequent acquisitions accelerated our already strong organic growth and form the key strategic pillars to achieving our vision of consolidating the independent legal and professional services sector. The progress we have made is testament to our dedicated, motivated colleagues, and the strength of Knights' unique culture.

The Group has made a good start to the new financial year.

Looking ahead, we have a clear strategy, the team and financial resources in place to continue to deliver our growth trajectory, and are excited about the future.

David Beech
Chief Executive Officer

8 July 2019

Investment Case

A strong track record in a highly attractive market.

Unique client offering - City quality from a lower cost base

- **One-team approach ensures clients receive the best match for their requirements**
  - Right blend of specialism and experience
  - Flexibility to flow capacity to meet scale, speed and peak demands
  - In tune to tailor advice to match clients wider commercial objectives and attitude to risk
- **Deep client relationships deliver service clients trust**
  - Our down to earth, flexible and friendly culture fosters mutual trust
  - Depth and breadth of trusted expertise in disciplines and industry sectors
  - One provider for all services reduces client effort.
- **Value for clients**
  - Cost base outside London (i.e. lower salaries and property costs)
  - Lower overheads through use of technology
  - Lower costs by flowing work to the right level of expertise for the task

Challenger to the legal services model in a highly attractive, fragmented market

- **Pioneer in the UK legal sector and the first commercial law firm to attract external investment**
  - Early adopters of corporate structure instead of the partnership model in 2012
  - Disruptive B2B business model: “People do what they do best”. Fee earners concentrate on client service. Professional managers run the business
  - Diverse expertise in senior leadership and Board outside the legal sector

Recruited

46

Fee earners including 11 partners

Client Satisfaction

+69 NPS*

>10 years average relationship for top 10 clients

Organic Growth

15%

Financial year 2019

Retention*

+90%

Talent retention

Cash Conversion*

115%

Financial year 2019

Acquisitions

4

Scaling 2 existing locations

Note

* See Glossary on pages 131 - 133

A proven and compelling platform for legal professionals

- Quality work and career opportunities with sustainable balance
- No financial risk; partners not exposed to the ownership risks of equity structures
- No politics or distractions, just a supportive environment to thrive in
- Attractive remuneration package with public listing providing great flexibility for all colleagues to own shares in the business
- Recruited 46 fee earners including 11 partners during the financial year
- Greater than 90% talent retention

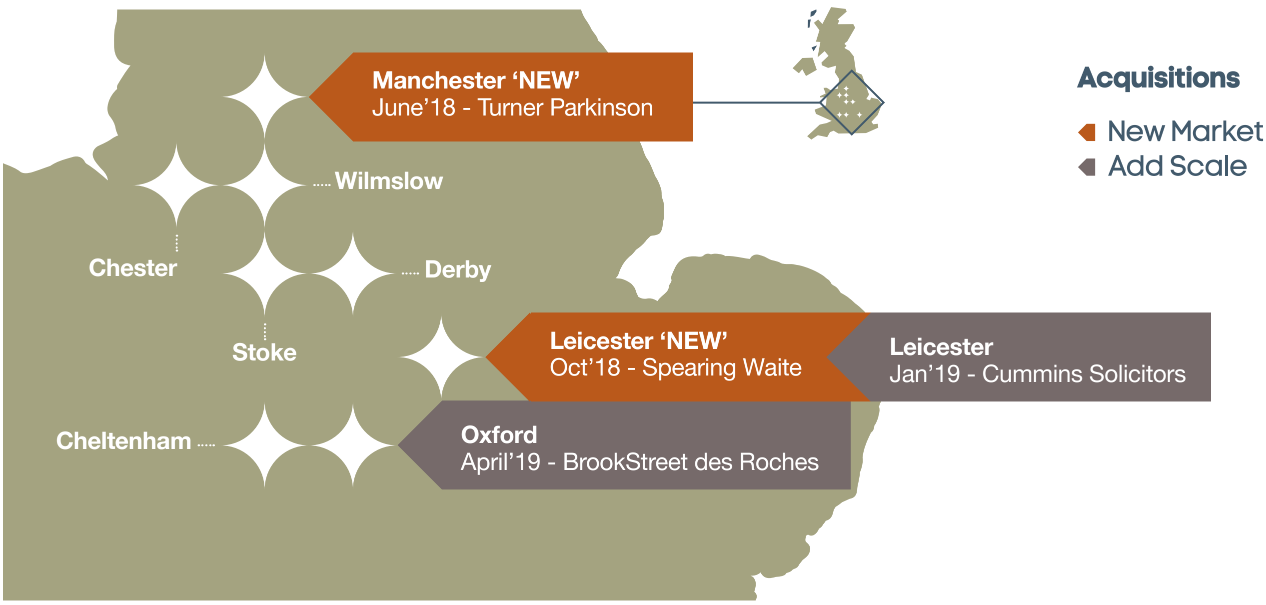
Resilient business with high earnings quality

- Serving over 10,000 clients with low client, sector and fee earner concentration
- Dominant player in most of our markets
- Consistent year on year double digit organic growth - 15% this fiscal year
- High client satisfaction: +69 NPS and >10 years average relationship for top 10 clients
- Delivered a 6 year revenue CAGR of 33% and adjusted profit before tax profit CAGR of 68%
- Targeted 75% cash conversion, exceptionally 115% this fiscal year

Flexible and value accretive M&A strategy

- Proven track record of acquiring then unlocking value from existing law firm structures
- Expert team fully integrates acquisitions; systems, processes and culture
- Knights Operating Platform enables rapid systems integration in under 2 months
- 4 successful acquisitions this year; 2 scaling existing locations and 2 new locations

Regional consolidator with proven track record and high-quality earnings



Market Overview

"Knights is a dominant player in most of the chosen markets in which it operates, outside London, and is highly successful at winning and satisfying high quality clients."

The UK legal services market

A c.£2bn market outside London growing at 3–5%.

The UK legal services market is the largest legal services market in Europe, and the second largest globally, behind only the US with fee revenue estimated at c.£33.4bn for 2017/2018[1]. The UK legal services market makes a direct economic contribution of c.1.5% of the UK's GDP[2] and contributed £4.4bn in trade surplus in 2017. It accounts for around 6.5% of global legal services fee revenue and around a fifth of the European legal services revenues. There are approximately 10,400 legal services businesses operating in the UK[3] but the top 200 firms have an estimated c.70% market share.

Revenue growth for the UK legal services market has been broadly linked to economic activity. Group and market sources indicate that the overall market has exhibited underlying growth of c.3–4% p.a. over the past decade. Consistent with this estimate, the ONS market data suggests a CAGR across 2010–2016 period of 3.8% p.a.

Employment in the UK legal services market

According to data from the Business Register and Employment Survey, the number of people employed in legal services in the UK is c.342k (including self-employment). Around two thirds of these jobs are located outside London and for every 100 jobs in the Legal Services sector, 67 are supported in other areas of the economy[4]. Solicitors account for c.61% of this total, while barristers and judges represent c.16% of employment. Other legal professionals, including those working as patent and copyright agents, make up the remaining 23% of the employment market. The ONS data indicates that c.68% of the market is directly employed, while c.32% is self-employed.

Significant opportunity for organic growth within the legal sector outside London.

UK legal and professional services market drivers

- **Greater levels of sophistication from clients**
  Particularly prevalent in the B2B market, industry surveys suggest that clients are benefiting from a greater degree of market transparency and awareness of services.
- **Costs**
  Cost pressures appear particularly acute in staffing, with pressure to increase salaries to attract new talent into the industry. While the supply side of trainees into the profession remains strong, higher salaries may be required in private practice to offset the appeal of in-house legal opportunities.
- **Technology**
  The requirement to invest in technology to enhance efficiency to remain cost-competitive has increased. Law Society Research Unit Firms Survey provides examples of staff being replaced with automated/IT-based systems during the last 3 years.

Notes

1 TheCityUK. (2018). Legal Excellence, Internationally Renowned UK Legal Services 2018. London.
2 Solicitors Regulation Authority. (n.d.). The changing legal services market report.
3 Solicitors Regulation Authority. (n.d.).
4 The Law Society. (2015). The EU and the Legal Sector.

M&A
Significant corporate activity has taken place across the UK legal services market in recent years. The 2017 merger of CMS (9 on the top 100 revenue list), Nabarro (34) and Olswang (41) represented the largest transaction of the year. However, according to Jomati MergerLine UK, there have been 133 publicly reported mergers involving UK-based law firms in the Lawyer 100 rankings since 2011. Of these, 54 involved a UK firm merging with a firm from another jurisdiction.

UK market trends - the consolidation opportunity

Industry consolidation remains a sector theme. 2018 saw significant consolidation activity in the UK legal services sector. Acquisitions and mergers have taken place in both the listed and private sector as the industry responds to the changing dynamics of the market.

The rationale for consolidation activity focuses on:

- Regional consolidation
- Buy-out of existing partnerships with strong client relationships
- Bolt-on of additional specialist or complementary skills
- Acceleration of growth to leverage cost overhead

Other market pressures are also key drivers of consolidation.

The sector will undergo further M&A over the medium term and the intention to take part in market consolidation is a key strategic aim of the publicly listed legal services companies.

Knights has been an active and successful acquirer and is well-placed to continue with this strategy.

Our Business Model

We believe great service starts with high employee morale to drive the real teamwork that's needed to best meet clients' needs.

Our delivery service strategy is somewhat unique: Culture driven vs Measure or Process driven.

Career opportunity and choice lead to personal success

We encourage colleagues to pursue the career and life ambitions they want. We reward for total contribution across all 6 value drivers, encouraging colleagues to play to their strengths:

- Service delivery
- Flowing work to the right person
- Cash conversion
- Winning quality work
- Improving behaviour
- Developing others

The personal success that follows, leads to very high morale.

- 11 New partners
- 9% Fee earners promoted
- 24% Work part-time
- 43% of partners are female

Better service to clients is rewarded by business growth

We find clients value our enthusiasm and combined capabilities to help them achieve their goals, plus our speed and quality of delivery. They also enjoy working with our upbeat, open, solution-centric people. Business growth follows in terms of:

- Clients using more services
- New clients instructing us
- New fee earners joining us, attracted by the high quality of work, speed of management decision-making and the rewarding, low-stress environment
- +69 Client NPS*
- 6 New service specialisms
- 51% Revenue growth
- 104% Underlying PBT* growth

Real teamwork driven by high morale

We believe clients are best served when fee earners are thriving, by working as fluid teams to quickly bring the right mix of expertise, experience and capacity together to deliver on the client need. We foster this via:

- No fee targets
- Single Digital Operating Platform so tasks can be rapidly flowed across individuals and offices and matters can be worked on collectively
- Fee earners working digitally, without secretaries to leverage the Platform
- Employee NPS* +50
- Employee Retention* >90%

Growth drives opportunity, greater profitability and more investment

Financially, as we scale, our profitability grows as we dilute fixed costs, such as office space and operational enablers.

Our PLC model means profits are reinvested into the business rather than drawn down by equity partners, which fuels better depth and breadth of services and higher morale.

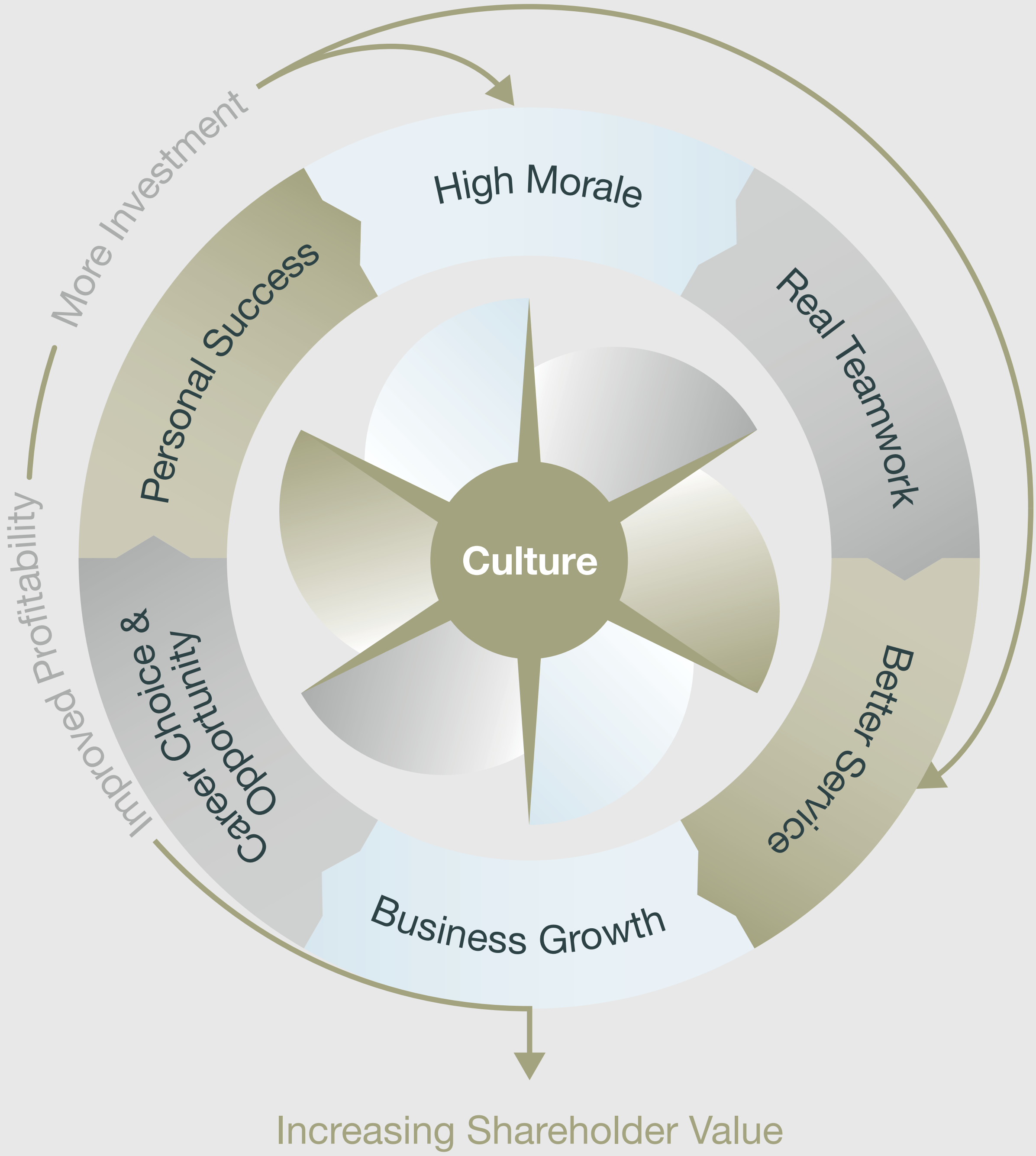
- 21.5% Adjusted EBITDA margin*
- 4 Acquisitions consolidated into Knights' Operating Platform

Our publicly owned corporate structure and the Knights Operating Platform provide the foundations to fund growth, drive scale and efficiency.

We have broken industry norms such as:

The Market:	Knights:
"Fees trump Behaviour."	**Behaviour trumps Fees** We act on this with conviction.
"Fees billed = Contribution."	**No Fee Targets** We use judgement to evaluate contribution across all 6 value drivers.

Note
* See Glossary on pages 131-133



Increasing shareholder return driven by growth

As a regional consolidator we grow shareholder return principally through share price growth, fuelled by reinvesting increasing profits into selective acquisitions, market and service expansions, plus service and efficiency improvements to further grow revenue and profit.

95.6% Total Shareholder Return*

Competitive Advantage

Knights has four sources of competitive advantage, which we turn into results via our distinct business model which creates a virtuous cycle of ever-growing value.

Market Positioning

We are the dominant player in most of our chosen locations, offering high-quality services from a lower cost base outside London.

We operate in markets where there is limited competition, and are ideally placed to take advantage of the pressures facing the mid-tier law firms over the medium term.

We generally avoid developing a presence in markets dominated by institutional firms, where there is greater competition, and pressure on both fees and costs. However, where there is an opportunity or an existing business operating in a market that meets our criteria to deliver accretive value sustainably, we are not averse to operating in larger markets.

A good example of this is our entry into Manchester in June 2018 via the acquisition of Turner Parkinson, a quality business with excellent strategic fit in terms of culture, client relationships, services and geography.

We are ideally placed to benefit from the structural changes taking place in the legal services market. We operate in a distinct and highly profitable segment of the legal services market. We do not compete with the global and national law firms, or with local high street firms, which are generally focused on B2C activity.

We are also better placed than many regional players in the same locality in which we operate where competitors are typically partnerships, sub-scale and at risk from the structural pressures facing the legal services market.

Team Based Culture

Culture is often referred to as a key ingredient of a successful business. At Knights we regard it as the primary driver.

We believe if we focus on behaviours, the service, quality and financial results will follow. This belief is supported by our financial results and soft measures.

Our rationale for choosing to be culture led, and specifically team based, is simple. Firstly, as a professional services business, our people by definition are our primary asset so we need them to flourish.

Secondly, we see two significant streams of untapped value that result from the industry's traditional individual-centric model, where someone's contribution is solely measured by the fees they earn.

1 Clients are better served by teams than individuals

- Provide the right blend of experience and specialist expertise
- Manage peak demand and fee earner availability
- Operate quickly and efficiently

2 Professionals have significant untapped potential

- Maximise contribution by rewarding all 6 value drivers; Service delivery; Flowing work to the right person; Cash conversion; Winning quality work; Improving behaviour; Developing others
- Increase productivity through the greater reward and reduced stress that comes from being part of a team
- Happy professionals deliver better service
- Develop people faster by flowing stretching quality work to them

Equally, being culture driven is not a soft option. It requires colleagues to commit themselves to be part of a close knit team with the high mutual expectations that go with it, and to have absolute candour with each other. It is exciting, demanding and satisfying for people.

We are clear on the traits we look for and nurture in colleagues, and are highly selective on cultural fit, taking inspiration from the All Blacks ethos.

Our culture in our colleagues' words:

Our culture in our clients' words:

"Their lawyers are proactive, commercial and a pleasure to deal with. I know I can rely on them to get the job done efficiently and cost effectively. A key attribute is that the team understands our business and approach to risk and tailors their advice and its delivery accordingly. This provides real value and sets them apart from other legal services providers."

Amanda Bottaro
Head of Real Estate
McDonald's

"Knights plc is my first and only port of call for employment law matters. Their advice, and the service that goes along with that advice, is always first class, timely, and professional in every sense of that overused word."

Bob Munro
Group Chief Human Resources Officer
Bet365

Corporate Structure

We operate an Alternative Business Structure (ABS), rather than the traditional LLP law firm model that faces significant structural challenges over the medium term.

We have a long-standing, proven track record operating as a corporatised entity.

There is a clear separation between the ownership and management of the business, enabling colleagues to focus on what they do best. Partners enter the business as employees, and are free to focus on fee generation, leaving the running of the business and overall group strategy to professional management.

The structure also creates an attractive model for partners in existing law firms to de-risk their equity, obtain a competitive salary, focus on client activity, and promote a culture of cross-selling across the business.

As a publicly traded business, individuals have the opportunity to take an equity position if they choose, in what is a liquid asset.

The separation of management from ownership has also allowed us to build a professional management team and Board, with skills and experience in key areas such as financial acumen, technology exploitation and culture and talent development, that are typically in short supply in the legal sector. This combined with our efficient management structure, enables rapid decision-making and a speed to action that is uncommon in traditional equity partnership models.

The third benefit of this separation is financial, in terms of access to capital and the objectivity of decision-making. This is particularly important given the significant investment opportunities to

- Create value by scaling the business through acquisition; and
- Invest in technology to drive scale and efficiency.

The delivery of 4 acquisitions in under a year since IPO and a fee earner to non-fee earner ratio* of 4:1, versus the market average 1.5:1, are indicators of our success in exploiting these opportunities.

Note
* See Glossary on pages 131 - 133

Scalable Operating Model

When creating the Knights model in 2012 we made a conscious decision to establish a consistent way of working across the business.

Our rationale was to quickly help our fee earners to transition from the traditional practices of law firms into those of a client centric, efficient and agile modern legal and professional services business.

Since then it has grown into the Knights' Operating Platform, a single backbone of processes, data, documents and systems that enables:

- All our fee earners to work seamlessly as teams across disciplines and locations
- New recruits to quickly transition to our modern and efficient way of working
- New acquisitions to be operationally fully integrated normally within 2 months of completion
- Our back-office to efficiently scale rather than grow as the business grows
- Operational improvements to be applied instantly across the business
- Actionable business intelligence to be delivered to management.

Looking forward, we believe our Knights' Operating Platform, free of legacy systems, can be a source of increasing value, both in terms of its current impact on creating scale as we grow, and by growing its like for like impact, by expanding the scope of processes covered and functionality of the technology we use.

Strategy

The Knights' Business Model, which is centred on maximising value for all stakeholder, was established between 2012 and 2014. Our Strategic focus shifted in 2015–2018 to creating critical mass in terms of expanding our geographic footprint and strength in our services; 5 new offices (2 organic, 3 via acquisition) and c. 300 additional professionals were added.

This was visibly marked by our IPO and admission to AIM in June 2018, where we successfully raised £28m for investment in the business to give us the financial and operational flexibility required to pursue this objective.

Our strategy to scale-up the business has 4 pillars:

1. **Grow Organically**
2. **Selective Acquisition**
3. **Scale the Operation**
4. **Exploit Technology and Data**

Since mid 2018, our strategic focus has moved to rapidly scaling-up the business.

AIM listing successfully raised net proceeds of*

£28m

*back in the business

Grow organically

While the UK legal services market is forecast to provide robust underlying growth, clear opportunities exist for us to continue to grow organically much faster by:

More fully serving high-quality UK clients

- Whilst the number of clients that buy more than one service from us has increased by 13% this year to more than 1000, there is a significant opportunity to continue to further grow this year on year.
- We continue to attract new clients as our name and reputation spreads. We have also invested in a Sales Director role to accelerate our ability to find clients in need of our services.

Growing attractive niche specialisms

- We are seeing a number of attractive new specialisms emerging, which has led us to expand our service offering. By way of example we now provide expert services in support of the energy transition underway in the UK, by a combination of recruiting experienced individuals able to support this growth, together with a low overhead model that is supportive of emerging businesses.

Attracting new talent (be that individuals or teams)

- Recruiting new talent is a key part of our strategy, and given that our size and reputation has grown, we are now creating a direct recruitment capability led by an experienced recruitment leader, to make it easier for potential candidates to understand our proposition and to apply.

Developing existing talent

- As a people powered business, accelerating people's development to their full potential is key to our success. Our approach is multifaceted, the backbone of which is to provide a collegiate supportive environment, where quality work flows to people, and they are coached so they learn quickly. In parallel we actively use technology so our people lose their fear, then learn how to exploit it to serve them.
- We actively build practical business acumen through on the job coaching, and are expanding our capability to build our people's leadership skills, through training and mentoring.

Progress this year 15% Organic Growth

This year saw us deliver double digit organic growth for the 6th year in a row, aided by all 4 pillars.

15%

Organic Growth. We invested in new Recruitment Leader and Sales Director roles to drive growth going forward

£131,000

Fees per fee earner grew from £107,000 to £131,000 per annum*

17

We developed and promoted 17 colleagues to partner and senior associate

46

We recruited 46 fee earners (net) including 11 strategic partner hires with significant client following

6

We added new specialisms in Energy, Regulatory, Healthcare, Information Technology, Intellectual Property and Highways and Properties damage

1000+

More than 1000 clients now use more than one service, a 13% increase

90

We invested in a new modern office in Manchester to support expansion with capacity for an additional 90 colleagues

Note

* See Glossary on pages 131–133.

Selective acquisitions

Knights is at the forefront of consolidation within the mid-tier UK legal services sector, building on its successful acquisition strategy to date.

Growth is achieved through highly selective, high-quality acquisitions as a means to accelerate growth in existing locations, expand into new ones or add new specialisms.

What we look for

- Cultural fit
- Attractive regional locations outside London with limited competition
- £5–£15m turnover to open up new geographies
- £1–£5m turnover to rapidly scale in established geographies or add new specialisms
- High-quality commercial focus
- Low client/fee earner concentration
- Sticky client base (confirmed by referencing)
- Managed by a limited number of ‘owner partners’

How we do it

- In-house M&A team (DD, IT, HR, Legal)
- Restructure to remove support service inefficiencies
- Swift transition onto Knights’ Operating Platform
- Prioritise full cultural integration

4x

4 acquisitions completed and operationally integrated

- Post IPO we have completed 4 acquisitions, expanding both geographically into Manchester and Leicester, and adding complementary skills, services and scale to existing offices.
- We have unlocked significant value through cost synergies, by quickly migrating the new firms to our Knights’ Operating Platform.

Progress this year

Turner Parkinson
Manchester

29 June 2018

- One of the top corporate law firms by deal volume in the North-West
- £13m acquisition
- 44 fee earners

Spearing Waite
Leicester

8 October 2018

- Leading independent law firm in Leicester
- £8.5m acquisition
- 59 fee earners

Cummins Solicitors
Leicester

14 January 2019

- High calibre employment specialist based in Leicester
- £1.4m acquisition
- 5 fee earners

BrookStreet des Roches
Oxford

1 April 2019

- Highly regarded leading independent law firm in Oxford, with a strong reputation nationally for its real estate practice
- Transformational acquisition for the existing Oxford office
- £10m acquisition
- 45 fee earners

Knights' new Manchester Office - Spring 2019

Scale the operation - building on strong foundations

Given our current rate of growth and ambitious goals, scaling up our operational backbone is essential to ensure it does not become a constraint to growth, operational efficiency or agility.

We are in an excellent position having created the Knights' Operating Platform, a single set of processes, systems and data we use to run the business. We have been successful in keeping this intact when acquiring businesses, by taking a highly focused approach of eliminating their processes and systems in the first few weeks.

Our focus is on four elements:

- **Operational Leadership**

  Gearing up the leadership of each area of our operation, to be organisationally ready to run a much larger business.

- **Operational Capacity**

  Increasing the capacity of our teams to be able to deliver day-to-day operations as the business grows.

- **Increased Automation of the Operating Platform**

  We see opportunities to enhance the scale efficiency of the Platform by automating more financial and HR processes.

- **Acquisition Full Integration**

  Continue to fully integrate any acquisition.

Delivered scale whilst preparing for the future

Sustained a fee earner to non fee earner ratio* at 4:1 (1.5:1 market average).

4:1

- Fully integrated 4 acquisitions within 2 months.
- Consolidated 2 offices into 1 in Oxford.
- Invested in a Chief Operating Officer role, and staffed it with an individual with expertise in acquisition integration, technology exploitation and scaled services delivery; Richard King. This also freed up our CEO, to focus on growing the business.
- Invested in a full-time Compliance Director role, and staffed it with an established expert in SRA and GDPR compliance.
- Staffed up significantly in Finance, Compliance, IT, HR and Training, to manage the increase in transaction volumes and new fee earners, and free up the respective function Directors' time to focus on scaling the operation for the future.

Exploit technology and data

The rapid advancement in technology and the abundance and granularity of data, provide significant opportunity to operate with high efficiency and agility, accelerate management responsiveness and enhance core service delivery.

Our strategy has been to establish a common way of working across the business, then encapsulate it in our operating platform, as a set of scalable processes, systems, capability and data.

The core of our platform addresses 2 key areas:

1 **Optimising the management of matters end to end, as it's the bedrock required to operate our team based delivery model, and largest consumer of capacity.**

2 **Driving financial performance by creating actionable management insights, with a particular focus on cash conversion.**

Being able to use technology is a base expectation of all colleagues. This creates a steep learning curve for many who join us, who have been used to working with paper and/or the support of a secretary who used the technology on their behalf. We provide proactive training and one to one support to help new colleagues learn the necessary skills.

Looking forward, our direction is to expand the scope of automation to include more finance and HR processes to improve scalability and optimise operating costs. The use of predictive analytics will enable delegation of cash conversion management to less experienced employees, to free up leadership capacity and improve scalability. Assisted document review and creation will also be implemented to enhance service delivery by releasing the fee earners' capacity to apply their judgement more.

Successfully leveraged our Platform to grow the business

4

Acquisitions integrated onto Knights' Operating Platform.

93*

Financial lockup versus 160 days market.

200

Fee earners successfully operational within 2 months of integration.

Note

* See Glossary on pages 131 - 133

Key Milestones

Establish the Model
2012 – 2014

- 1st acquisition - Stoke
- First commercial firm in the UK legal sector to attract external investment and ABS licence granted
- Corporate structure replaced partnership model, separating management/ownership/service delivery
- Established a 'one team' based culture and eliminated fee targets
- Implemented modern paper light ways of working using one practice management system, improving fee earner to support staff ratio's
- 2nd acquisition - Chester

2	£8.7m	150
Offices	Turnover	Employees

Critical Mass
2015 – Mid 2018

- Organic expansion - Derby
- 3rd acquisition - Oxford
- Organic expansion - Wilmslow
- 4th acquisition - Manchester
- Grew capacity and depth of expertise via acquisitions and organic recruitment of 120 professionals
- Added 3 non legal services

5	£34.9m	430
Offices	Turnover	Employees

Scaling Up
Mid 2018 – Onwards

- Listed on AIM raising £28m
- Expanded debt facility to £27m
- Appointed a COO
- 5th acquisition - Leicester
- 6th acquisition - expanded Leicester
- 7th acquisition - expanded Oxford
- New premises - expanded Manchester
- Organic recruitment of 46 professionals
- 6 new sector specialisms added
- Serving more high quality clients

8	£52.7m	650
Offices	Turnover	Employees

Corporate and Social Responsibility

Our goal is to maximise the positive impact we have on colleagues and our external stakeholders, including the communities in which we operate and the legal services industry.

4 Our community

Our programme gives colleagues 4 hours of work time a month to spend helping their local communities. It also helps them to be expansive in their thinking.

People Helping Others

When people are thriving their natural instinct is to help others, whether inside the business, the community or the environment.

People Thriving

We empower our talented conscientious professionals to be themselves and use their judgement to do what's right, then reward them for doing so.

Healthy Environment

We believe an emotionally supportive, team based environment in high-quality physical surroundings is a critical foundation to CSR.

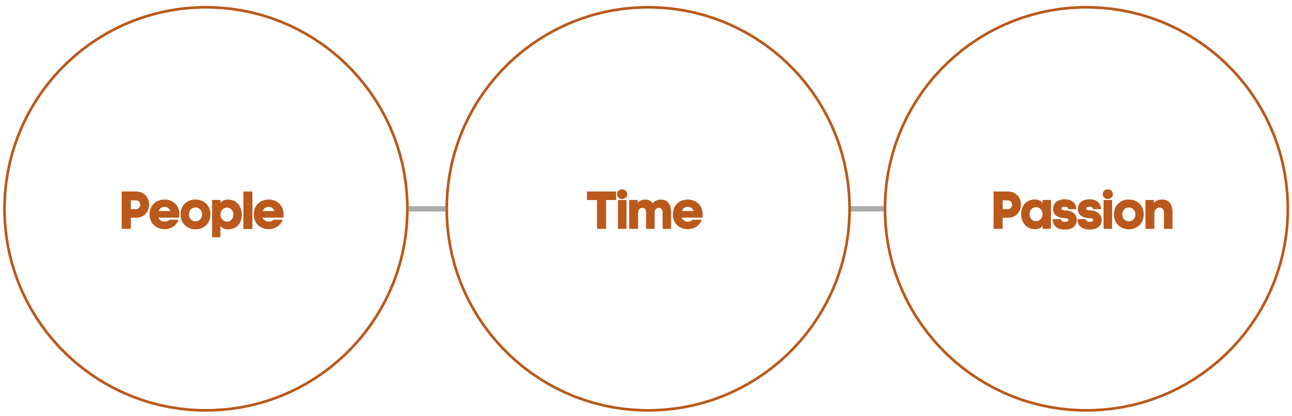
Our strategy to maximise our positive impact is simple:

Create the healthiest working environment possible so that people can thrive; and make it as easy as possible for people to have an impact beyond the business.

Our aspiration to deliver:

30k+

hours to our communities



Healthy Environment

We are committed to ensuring that our offices create a healthy working environment to encourage our unique culture.

Our new modern office environments

We fit out our premises to a high specification, to create a light, clutter free, open plan environment that fosters wellbeing and facilitates integration of new colleagues that have joined through acquisition or as lateral hires.

We provide a 1759 Lounge, for colleagues to relax and interact in a communal environment, and actively encourage them to take a proper break to sustain their wellbeing, and foster interaction.

90+

The Manchester office expansion has supported over 50 existing colleagues and can support an additional 90 colleagues.

Environmental impact

We continuously strive to minimise our environmental impact with a primary focus on reducing our use of consumables. Our number one impact is paper consumption (and with it print), in the course of delivering our services. Whilst we are legally obliged to produce some documents on paper, we have invested heavily in IT training, on the job support and extra-large screens to enable side by side document review, as part of a wider programme to increase our professionals' use of digital working practices. This has led to significant reductions, of around 500,000 pages per year, and following a recent acquisition, we were able to eliminate over 2,000,000 pieces of paper from their previous operations.

£2.5m

Reduced pages per year due to the increased use of digital working practices.

People Thriving

As highlighted in our Business Model, a key differentiator for Knights is taking a team vs. the traditional Individual based approach to the provision of legal services. We passionately believe (backed up by results), that we can release the significant untapped potential in legal service professionals, by removing the high levels of personal stress and barriers to best serving clients, caused by the traditional industry model of measuring people's contribution solely on the basis of individual targets.

We create a positive and supportive environment to empower our talented conscientious professionals to be themselves and use their judgment to do what's right.

Different ideas, perspectives and backgrounds create a stronger and more collaborative work environment at Knights. Colleagues are empowered to share their experiences and ideas which in turn benefits our clients, investors and the communities in which we operate.

We reward our employees based on behaviours and total contribution as judged by leaders of the business. The model requires high mutual trust, engagement and candour, led by people with very strong people skills. The result is we are exceptional at supporting each other. We deliver and celebrate together; encouraged to find a consistent work life balance which provides the opportunity to exceed career expectations, by inspiring, defining and delivering the future of legal and professional services in the UK. Collaborative success brings much more than financial reward; but also positive mental health and wellbeing.

The recent addition of Richard King as COO and Jane Pateman as Non-Executive Director, both with strong HR backgrounds, are a significant investment to rapidly scale the culture nurtured by our CEO David Beech as the business continues its rapid growth.

We are a friendly, down to earth, caring business, with little organisational hierarchy, local decision-making, and a culture of positivity and transparency throughout.

People Helping Others

Our commitment to 'do the right thing' naturally extends beyond the workplace. Colleagues make numerous contributions to the wider community and to make this easier we have created 4 Our Community; where colleagues can come together and spend 4 hours of work time a month helping our environment and local communities.

The 4 hours can be used for hands-on assistance to organisations such as charities, schools, care homes, food banks and youth centres or any organisation providing a social, educational, voluntary or charitable service to the community.

For us this means:

- hands-on help for individuals in need whether it be through talking, physical assistance or just spending time with people;
- providing assistance to organisations that need manpower and/or professional guidance;
- bringing people from business and the social/charitable/educational sectors together in a coordinated and organic way which builds relationships and better communities.

4hrs

of work time a month on helping our environment and local communities

The results: People Thriving

Healthy Foundations

- Over £2M invested in improved working environment
- Eliminated the use of disposable, cups, cutlery and crockery in the last 2 years
- Reduced paper usage, our number one environmental impact, by over 2.5 million pages/year
- 200 colleagues moved from paper based to predominantly digital working practices
- Enhanced Maternity Pay introduced
- Discounted Share Incentive Plan and SAYE share plans introduced to encourage ownership and sharing in our success

£2m+

Invested in improved working environment in the last 2 years.

Colleagues Thriving

- Career progression - 9% of fee earners were promoted, including 5 to Partner
- Gender diversity - 43% of partners are female. 3 of 7 Board attendees are female. 54% of upper quartile earners are female
- Whilst we don't formally measure it, we see people from many different socio economic, ethnic and religious backgrounds thriving at Knights. Our focus is solely on what people bring to the business, not what labels society chooses to place on them. This is an outcome of our relentless focus on fostering a culture of true listening, real teamwork and adding value, whilst being yourself. Our approach is in sharp contrast to implementing policies and managing metrics
- Flexibility - 24% of partners work part-time and overall 24% of colleagues work part-time, enabling them to choose a work/personal life balance that suits their personal situations
- Positive client sentiment, we are proud our clients gave us a Net Promoter Score (NPS) of 69
- Average fees per earner up 22.4%
- Over 50% of colleagues have chosen to buy shares in the business via share plans
- Employee turnover <10% with 109 employees having worked at Knights for more than 5 years
- Positive colleague sentiment

The results: People Helping Others

We have included just a few examples of how our colleagues help others in our communities:

Knights Big Walk
Oxford

Hospital Garden Tidy Up
Churchill Hospital
Oxford

Netball team
Stoke

We're proud of our netball team who were champions of their division this season, and even more proud that the team comprises colleagues from Stoke on Trent, Chester and Wilmslow who have the passion to travel considerable distances each week to train and be part of a team.

Football team
Wilmslow

Our colleagues genuinely work as a team and have fun together socially. Having our football team play and train once a week encourages this and allows colleagues to demonstrate our team based culture out of the office too.

Employee video case study
Wilmslow

Our colleagues are our best advocates and testament to our working culture. We have invested in enhancing our recruitment platform and campaigns by creating video case studies on our colleagues to genuinely demonstrate life at Knights and the work/life balance our colleagues have in their own words.

HSBC UK Charity Five-A-Side Tournament
Bolton

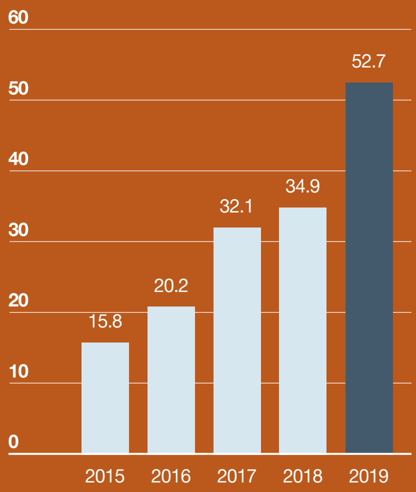
Prevent Breast Cancer - Exercise Bike Challenge
Manchester to London

Hospice of The Good Shepherd Quiz Night
Chester

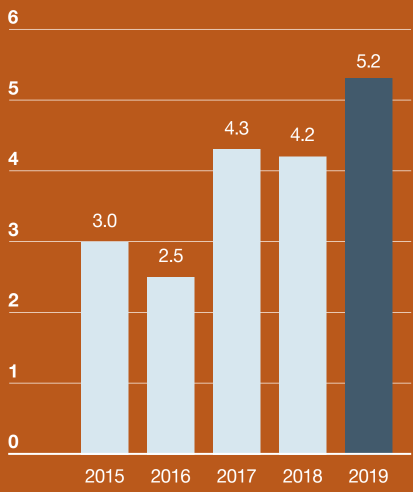
Revenue Growth

51%

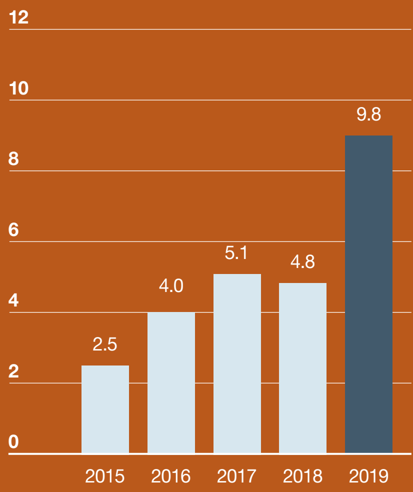
Revenue (£m)



Reported Profit Before Tax (£m)



Underlying Profit Before Tax* (£m)



Adjusted EPS (p)*

2019	11.88
2018	7.68

Average Number of Fee Earners

2019	402
2018	327

Fees per Fee Earner*

2019	131
2018	107

Underlying EBITDA per Fee Earner*

2019	28,201
2018	22,881

Underlying EBITDA Margin*

2019	21.5
2018	21.5

Financial Review

Financial Results

	2019 £'000	2018 £'000
Revenue	52,662	34,869
Staff costs	(30,137)	(20,449)
Other underlying costs and charges	(12,706)	(9,602)
Underlying profit before tax*	**9,819**	**4,818**
Amortisation of acquisition related intangibles	(693)	(199)
Non-recurring finance costs*	(2,038)	–
One-off costs on acquisitions and IPO*	(1,847)	(453)
Profit before tax	**5,241**	**4,166**
EPS	**5.84p**	**6.44p**
Adjusted EPS	11.88p	7.68p

"**I am pleased to report that the Group performed well in its first year as a listed company.** We have continued to build on our historic strong track record of growth in both turnover and profitability over the past 5 years with a 51% increase in turnover and 104% increase in underlying Profit Before Tax (PBT)*. Our continued focus on management of cash flow has resulted in exceptional cash conversion* of 115% for the year, resulting in net debt being lower than expected, positioning the Group well to continue with its future growth strategy via recruitment and carefully selected acquisitions."

Note
* See Glossary on page 131–133

Financial Review continued

Revenue

Reported revenue for the period is £52.7m compared to £34.9m in 2018 representing a 51% increase.

Of this increase 35.8%, or £12.5m, was a result of the acquisitions made during the financial year with the balance relating to organic growth. The organic revenue growth of 15.2% arose due to an increase in the level of fees per fee earner generated during the year and net recruitment of 46 additional fee earners during the year.

+51%

2019	£52,662,000
2018	£34,869,000

Staff Costs

Total staff costs represents 57.2% of revenue compared to 58.6% in 2018.

Fee earner staff costs have fallen from 51.5% of turnover to 49.6% of turnover reflecting good control of staff costs whilst increasing the fees generated per fee earner.

During the year we have invested in our support staff function with the addition of a Chief Operating Officer and further strengthening of our management team in all operational areas to ensure we have the strong foundations in place to support our planned future growth.

This, together with the costs of the Non-Executive Directors, has increased our support staff costs from 7.1% of revenue in 2018 to 7.6% of revenue in the current year.

Total Staff Costs

57.2%

2018: 58.6%

Direct Staff Costs

49.6%

2018: 51.5%

Support Staff Costs

7.6%

2018: 7.1%

Reported Profit Before Tax

The reported profit before tax for the year has increased by 25.8% to £5.2m. The increase is driven by increased turnover, and increases in underlying trading profits offset by higher non-recurring costs relating to the listing and non-underlying costs relating to the recognition of some contingent payments on acquisitions and reorganisation costs.

To enable the comparison of the profitability of the underlying business, the underlying profit before tax has been calculated as an alternative performance measure.

+25.8%

2019	£5,241,000
2018	4,166,000

Underlying Profit Before Tax*

Underlying PBT excludes non-underlying transaction costs relating to the IPO and acquisitions made during the year and contingent consideration payments required to be reflected through the Statement of Comprehensive Income under IFRS. It also excludes share-based payments for one-off share awards made at IPO and as part of the acquisitions, and the one-off Share Incentive Plan offered to employees as a result of the listing. Any share-based payments charges relating to ongoing SAYE and LTIP schemes are recognised as underlying costs of the Group.

The underlying PBT for 2019 has grown by 103.8% to £9.8m representing 18.6% of revenue compared to £4.8m, 13.8% of revenue, in 2018. The increase is driven by an increase in fees per fee earner which has resulted in an increase in revenue and gross profit, and a £1.4m reduction in underlying finance charges as a result of repaying £28.1m of debt as part of the Groups' listing.

+103.8%

2019	£9,819,000	18.6%
2018	£4,818,000	13.8%

Earnings Per Share (EPS)

The weighted average number of shares in 2019 was 68,533,094 which gives a basic earnings per share (Basic EPS) for the year of 5.84p (2018: 6.44p). Taking into account the number of share options that the Group has outstanding at the year end, gives a diluted EPS of 5.81p (2018: 6.44p). The 2018 figures are illustrative only as the Group was not listed and did not report an EPS in 2018.

In order to compare the EPS year on year, the underlying EPS has been calculated showing 11.88p in 2019 compared to 7.68p in the prior year. This measure eliminates the effect of any non-recurring and non-underlying costs on the EPS calculation.

Adjusted EPS*

11.88p

2019	11.88p
2018	7.68p

Basic EPS*

5.84p

2019	5.84p
2018	6.44p

Note
* See Glossary on pages 131–133

Financial Review continued

Corporation Tax

The Group's tax charge for the year is £1.2m (2018: £0.9m) which is made up of a current corporation tax charge of £1.3m offset by a £0.1m credit in relation to deferred tax.

The deferred tax credit arose largely from the reversal of the deferred tax on acquired intangible assets.

The total effective rate of tax is 24% based on reported profits before tax. This has been adversely affected by non underlying items (largely amortisation of intangible assets acquired in the year) that are not tax deductible. The effective rate of tax on the underlying profits of the business is 17%. (see note 16 of the financial statements).

Effective rate of tax

24%

2018: 23%

Dividend

The Board has adopted a progressive dividend policy balanced with its commitment to continue reinvesting the profits and strong cash generation of the Group to fund its future growth plans. Having delivered a strong maiden performance and with underlying earnings ahead of expectations, the Board is pleased, subject to approval at the AGM on 24 September 2019, to announce a final dividend for the year of 1.27p per share. This together with the interim dividend of 0.6p per share brings the total dividend for the year to 1.87p per share.

Pence per share

1.87p

2018: nil

Balance Sheet

	2019 £'000	2018 £'000
Goodwill and intangible assets	46,444	19,864
Working capital*	11,762	8,606
Other net assets/(liabilities)	(1,616)	903
	56,590	**29,373**
Cash and cash equivalents	4,904	2,118
Borrowings	(19,000)	(28,443)
Net debt	**(14,096)**	**(26,325)**
Deferred consideration	(3,239)	(250)
Net assets	39,255	2,798

The Group's net assets as at 30 April 2019 increased by £36.5m reflecting the shares issued in the year, profit for the year and reduction in net debt over the year as discussed below and the increase in goodwill and intangible assets resulting from the four acquisitions during the year.

Note

* See Glossary on pages 131–133

Goodwill and Intangible Assets

Included within intangible assets and goodwill is £19.8m of intangible assets, identified on current and prior acquisitions, such as customer relationships, brand and computer software. The balance relates to goodwill of £26.6m arising from acquisitions.

The Board carries out an impairment review of goodwill each year to ensure the carrying value is supportable. As at 30 April 2019 the Board concluded that the goodwill and intangible assets are not impaired.

£46.4m

2018: £19.9m

Working Capital*

Management of lock up has continued to be a key focus of the Group over the period. Lock up days is a measure of the length of time it takes to convert work done into cash. It is calculated as the combined debtor and WIP days for the Group. This is a key focus for management and the Board as it drives the cash generation necessary to support the growth strategy of the Group. Lock up days at 30 April 2019 were 93 compared to 77 the previous year. Management are satisfied with the level of lock up at the year end which remains significantly ahead of the industry average despite being adversely affected by the acquisitions during the year that had longer lock up profiles when acquired.

Average lock up days of acquisitions was 122 pre acquisition which has reduced to 99 days at the year end.

The Group's strong control over debtors is reflected in a low level of bad debts. Total bad debt charge for the year has remained constant at 0.8% of turnover despite the impact of IFRS 9 which resulted in a provision of £101,000.

Lock up days*

93

2018: 77

Bad debt

0.8%

of turnover
2018: 0.8%

Net Bank Debt

The exceptionally strong cash conversion in the period, together with the funds raised at IPO have reduced net bank debt to £14.1m at the year end compared to £26.3m as at 30 April 2018, £3.7m better than expectations.

The increased available facility of £27m gives the Group good headroom and positions the Group well to continue its growth strategy into 2020 through continued organic recruitment and carefully selected, culturally aligned acquisitions.

-46.5%

2019	£14,096,000
2018	£26,325,000

Financial Review continued

Cash Conversion*

	2019 £'000	2018 £'000
Net cash generated from underlying operating activities*	**11,372**	**5,902**
Interest	(745)	(1,806)
Capital expenditure	(1,303)	(1,381)
Free cash flow	**9,324**	**2,715**
Underlying profit after tax*	**8,141**	**3,842**
Cash conversion	**115%**	**71%**

The cash conversion percentage measures the Group's conversion of its underlying profit after tax into free cash flows. Cash conversion of 115% for the year shows a significant increase from previous periods as a result of lower interest costs due to the reduction in net debt as a result of the IPO, and the exceptional cash flow benefit of reducing the lock up in acquired businesses down to a level in line with the rest of the Group.

Capital Expenditure
During the year the Group continued to invest in its systems and premises to ensure our professionals have a high quality working environment and consistent systems across the Group to aid integration and support our one firm culture. To this end we have invested over £100k in our existing Oxford office to expand its capacity. We also invested £475k in the year, with a further £425k being incurred post year end, in the fit out of the new Manchester premises to provide a high-quality working environment for our Manchester team and to support our strategy of continued recruitment and growth in this office.

Other one-off expenditure during the year related to the upgrading of the telephone system to ensure consistency across the Group, which involved an investment of £100k.

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

One-off capital projects planned for 2020 financial year are the refurbishment of our Leicester office, and further increase in the capacity of the Oxford office to support our growth strategy. Together with the remaining spend on Manchester the Board expect to invest c. £1m in expanding the capacity and improving our offices during the current financial year.

Acquisitions
The cash impact of the four acquisitions completed during the year and in future years is summarised below:

Financial year ended	Total cash impact (£m)
2019	21.16
2020	3.91
2021	2.21
2022	0.65

The above includes estimated contingent consideration charged as remuneration.

With the listing completed, the Board consider that future acquisitions will require lower initial cash outlay as the balance between cash and shares will change as the market gains confidence in the share value.

The strong cash and lock up management systems in the Group mean that often we generate cash from the acquired Balance Sheet. For the acquisitions completed during 2019 we generated approximately £1.5m of cash inflows from a reduction in lock up days, hence reducing the cash impact of acquisitions on the Group.

Corporation Tax - Cash flow impact
Going forward the Group will fall under the large Quarterly Payments regime for its corporation tax. This will have the effect of advancing the corporation tax payments such that the full estimated corporation tax is paid during the year rather than only 50%. As a growing business with increasing profits and tax costs this will impact the post tax cash conversion on an annual basis by approximately 10%.

Management expect post tax cash conversion to average out at c.75% going forward.

115.0%

2018: 71%

Alternative Performance Indicators

As highlighted in note 36 of the accounts, the Group uses a number of key performance indicators (KPIs) to monitor the Group's performance against its strategic objectives. These comprise a number of financial and non-financial measures which are agreed and monitored regularly at Board meetings. The financial indicators are calculated based on underlying results excluding any one-off transactional and acquisition related costs. The Board is of the opinion that these operational factors are key drivers for the Group's financial success.

Number of Fee Earners* / Fees and Underlying EBITDA per Fee Earner*

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

The increase in fees per fee earner of 22.4% in the year to 30 April 2019 is a result of continued focus and training of our professionals on client management and efficient use of systems. The Board are pleased with the current improved levels, however future fees per fee earner may be impacted by a change in the mix of fee earner grades, therefore the Board also monitors the underlying EBITDA per fee earner alongside fees per fee earner as underlying profitability is a key focus of the Board. Underlying EBITDA per fee earner increased by 21.7% in the year from £23,000 per fee earner to £28,000.

Average full-time equivalent Fee Earners during the year*

402

2019	402
2018	327

Fees per Fee Earner*

£131k

2019	£131,000
2018	£107,000

Underlying EBITDA per Fee Earner*

£28k

2019	£28,000
2018	£23,000

Underlying EBITDA*

The Board uses underlying EBITDA as a measure of its performance and believes that it is an important metric for monitoring the profitability of ongoing operations. Underlying EBITDA excludes one-off transaction costs relating to the IPO and acquisitions made during the year. It also excludes share-based payments for one-off share awards along with contingent consideration payments required to be reflected through the Statement of Comprehensive Income as remuneration under IFRS accounting conventions. The underlying EBITDA for 2019 has grown by 51.5% over 2018.

Underlying EBITDA*

+21.5%

of turnover

2019	£11,337,000	21.5%
2018	£7,482,000	

Note

* See Glossary on pages 131–133

Financial Review continued

Non Fee Earner Staff to Fee Earner Ratio*

The business model and use of IT systems have been key in enabling the Group to maintain a fee earner to non fee earner staff ratio that is much higher than the average for the sector. The Board believe that this is one of the key differentiators in its business model enabling the Group to generate such strong EBITDA margins.

As at 30 April 2019 the ratio of 4.0 fee earners to 1 non fee earning staff is marginally lower than at the previous period end figure of 4.5 as the Group has invested in creating the management and support function necessary to enable it to meet its future strategic growth objectives.

4.0

2019	4.0
2018	4.5

In Summary

The Board is pleased with the growth in fee income and profitability during the year. The investment in 2019 in the strengthening of the management and support staff function, together with the lower than anticipated levels of net debt, due to the Group's excellent cash conversion, places us in a strong position to continue to grow the business both organically through recruitment, and through selective acquisition opportunities.

Kate Lewis
Chief Financial Officer

8 July 2019

Note
* See Glossary on pages 131- 133

Principal Risks And Uncertainties

The Board is responsible for continually reviewing and assessing the principal risks facing the Group, both from a financial and non-financial perspective and to ensure that controls are put in place to ensure the Group's exposure to these risks is minimised.

Although risks and uncertainties are formally reviewed annually by the Board, they are continually considered by the Board in all business and strategic decisions. The principal risks are identified as follows:

Principal Risk	Description
Professional liability and uninsured risks	The Group provides, amongst other things, 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.
Regulatory and compliance risk	The legal sector is heavily regulated and as a result, in addition to the normal government guidelines and regulations that a business is subject to, the Group is also regulated by the Solicitors Regulation Authority (SRA) and Information Commissioners Office (ICO). Non-compliance with any regulations could result in reputational damage to the business and may have financial implications for the Group.
Restrictions imposed by the Legal Services Act 2007 (LSA)	Knights Professional Services Limited is a Licensed Body. The LSA places restrictions on the holding of 'restricted interests' in Licensed Body law firms. This restricts the maximum shareholding that can be held in Knights Group Holdings Plc, without prior SRA approval, by a non-lawyer shareholder to 10 percent of its issued share capital. If a non-authorised shareholder were to obtain a shareholding in excess of 10 per cent without prior approval this would be classed as a criminal offence and the SRA could force divestment or revoke the Licensed Body status of the Group.
Personnel - ability to attract and retain personnel	The ability to attract and retain suitably qualified and experienced personnel is critical to the Group's success as its employees constitute the principal assets and contributors to its revenue. There is strong competition in the marketplace for such personnel and any difficulties in attracting and retaining such high-quality personnel could impact on the Group's ability to deliver the financial forecasts.
Personnel - succession planning and dependence on key personnel	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 maintains comprehensive professional indemnity liability insurance to reduce or mitigate against any financial claims made and the Board considers the Group to have a good claims history. Claims are dealt with by a central team that operates separately from fee earners to ensure that they are dealt with effectively and objectively in line with the Group's compliance policy with external advice being sought where necessary. Our compliance team works closely with the Group's insurers and regulators to ensure any risks are minimised. The Board considers compliance to be of paramount importance and feels that it has appropriate processes in place to ensure that it provides quality expert advice and service to its clients. Procedures are continually reviewed and amended to take into account up to date guidelines and advice.
The Group has a strong compliance and regulatory team that operates separately from fee earners to ensure compliance with all necessary regulations and who undertake regular file audits and ensure that training is delivered externally to the Groups' employees when there is significant regulatory change. The Board is regularly updated on any regulatory developments so that it can ensure these are fully considered in all business and strategic decisions and external advice is taken if required. Knights adheres to an Information Security policy that draws on best practice from ISO 270001 and Cyber Essentials plus. This policy is delivered annually to all colleagues and new recruits on induction.
The Board work closely with the SRA to ensure there are no breaches and review shareholdings regularly and draw investors' attention to the restrictions imposed by the LSA within investor roadshows and adhoc investor meetings.
The Group has a dedicated recruitment team led by office leaders and the senior management team. The Group offers a competitive remuneration package in its current locations, flexible working conditions (24% work part-time) and operates a 'no targets team culture' allowing individuals to maximise their job satisfaction and work/life balance whilst delivering the best service to their client. The Group has a low staff turnover rate and the Board considers that there are high levels of engagement with its employees which mitigates any risk in this regard. Employee contracts also include restrictive covenant provisions to protect the business where possible in the event of employee exits, however given the low client/fee earner concentration the risk in this regard is limited.
During the year the Board has been expanded by the appointment of Jane Pateman as Non-Executive Director and Richard King has moved from a non-executive position to become the Group's COO. The Board has also worked to expand and strengthen the management team of the Group to ensure the management structure in place is sufficient to support future growth.

Principal Risks And Uncertainties continued

Principal Risk	Description
Acquisition risk	A key part of the Group's strategy is to expand the business through the acquisition of culturally aligned, earnings enhancing acquisitions. Detailed financial, legal and cultural fit due diligence is carried out, however unforeseen or undisclosed issues may adversely affect the reputation or forecast financial performance of the Group. If newly acquired businesses are not properly culturally aligned and integrated this could have a negative impact on the rest of the business and could cause reputational damage. There is also the financial risk that the acquired business does not perform as expected.
Macro and micro economic environment	Current uncertainty in the market regarding the long-term impact of Brexit could result in a general economic downturn which may have a negative impact on the financial performance of the Group. There are a large number of potential competitors within the legal and professional services market competing for the Group's professionals and clients, any loss of which could impact the financial performance of the Group.
Reputation and brand risk	Knights' brand and reputation 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 and could have financial implications for the Group.
Information systems and data security	The Group is heavily reliant on its information technology systems for all day-to-day processes. A major IT system failure or a malicious attack, data breach or virus could impact the ability of the Group to operate having both reputational and financial implications.

Mitigation
The Group has an experienced in-house acquisitions team who have successfully integrated 7 businesses into the Group. The in-house acquisitions team undertakes a robust due diligence process with external advice being sought where necessary. Warranties, disclosures and appropriate protections are obtained from the sellers as appropriate within the acquisition documentation. The Board recognises that cultural integration is critical to the success of every acquisition. During the year the acquisition and integration teams have been strengthened and a full integration best practice developed. This ensures that all acquisitions are fully integrated onto the Group's core Operating Platform as soon as possible and a full training programme is delivered to all new colleagues. The cultural integration of our new colleagues, and training on how to exploit our business model is key at all stages of the acquisition and integration process. All 4 of the acquisitions undertaken within the year are fully integrated onto the Knights Operating Platform and work is undertaken by the management team on an ongoing basis to ensure that the Knights' culture is continuously reinforced.
The Board believes its exposure to both macro and micro environmental factors including Brexit is limited due to there being no reliance on any one practice area, client or professional. The Board continually reviews its strategy and has a solid operational base positioning the Group well to enable it to evolve its operations as required. The appointment of Richard King as COO is part of the Group's investment to ensure that it is able to continue to exploit technological advances and efficiencies within the business.
Management have in place detailed processes to ensure that all work is undertaken by the Group in accordance with the Code of Conduct and Professional Ethics. Internal audits take place to identify any areas of non-compliance and provide continued training to colleagues where non-compliance is identified An open, candid and non-hierarchical culture is nurtured whereby all colleagues are expected to behave in accordance with the internal processes 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 uses commercially available software configured to meet our needs rather than custom development, to assure continuity of support for the underlying platform, by minimising the risk of single person dependency and technology obsolescence. Operationally, the Group's systems are supported by appropriately qualified and experienced individuals and third parties in multiple locations. External expert advice and support is sought when necessary. Critical systems and recovery are regularly tested and no issues have been identified. The Group uses a 2 prong approach to information security: - a robust information security systems and processes informed by ISO 270001 and Cyber Essentials plus; and - education, given that people often represent the highest point of vulnerability. Knights Information Security Awareness training provides its employees with the tools needed to spot and prevent fraud\misuse of information.

This strategic report and the information referred to herein was approved on behalf of the board on 8 July 2019.

Kate Lewis
Chief Financial Officer

Corporate Governance

Governance

An Introduction from our Chairman

The Directors acknowledge the importance of high standards of corporate governance and with this in mind I'm pleased to present the Corporate Governance Statement on behalf of the Board.

There have been some changes in Board composition during the year and I would like to welcome Jane Pateman who joined the board as an additional Non-Executive Director on 14 January 2019, as Chair of the Remuneration Committee and as a member of the Audit Committee as a result of Richard King, previously a Non-Executive Director of the Board, having made the welcome move to become our Chief Operating Officer.

Richard King brings a strong combination of skills and experience in leading the scaling up of business services, HR and sales as well as digitisation and acquisition integration in both large-scale global corporations, including Procter & Gamble and Shell, and a start-up B2B cloud services provider, Transora.
His appointment to this Executive role will enable our Chief Executive Officer to focus on driving the continued growth of the Groups professional services revenue streams.

Jane Pateman brings 17 years' experience in senior HR roles at listed businesses including Centrica and British Gas, and culminating in her current role as Group HR Director at Biffa plc where she has been responsible for developing the People Strategy for approximately 8000 employees across 4 operating divisions. As we are a people business, Jane will bring a wealth of experience to the strategy for driving recruitment across the business and to developing a programme for employee incentivisation.

"As Chairman my principal role is to lead the Board to ensure that it has in place the strategy, people, structure and culture to deliver value to all of its stakeholders.

We consider that the additional blend of skills provided to the business as a result of these changes, in addition to those skills already present within the Board will assist in the strategic direction of the Group and the delivery of shareholder value."

Board of Directors

David Beech
Chief Executive Officer

A corporate lawyer and former manager of a private equity fund, David joined Knights in 2011 with the vision to transform the business into the UK's number one legal and professional services business outside London.

David acquired and remodelled Knights in 2012 with a clear strategy to transform the business into a growth platform. Knights became a pioneer in the UK legal sector being one of the first law firms to secure external funding in 2012 to fully corporatise the business and create a clear separation between ownership/ management and partners.

Richard King
Chief Operating Officer

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

Previously, Richard was European Commercial Capabilities Director at Procter & Gamble.

Kate Lewis
Chief Financial Officer

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

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

Balbinder ('Bal') Johal
Non-Executive Chairman

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

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

Steve Dolton
Senior Independent Non-Executive Director

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

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

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

Jane Pateman
Non-Executive Director

Jane brings 17 years' experience in senior HR roles at listed businesses including Centrica and British Gas, and culminating in her current role as Group HR Director at Biffa plc where she has been responsible for developing the People Strategy for approximately 8000 employees across 4 operating divisions.

Jane has a strong track record in driving business benefits through the development and delivery of human capital strategies. During her 8 years at Biffa, she has provided significant support in delivering solutions during major growth periods, including during its IPO as well as driving people and cultural integration for the multiple acquisitions Biffa has made over the past 5 years.

Jane chairs the Remuneration Committee and also sits on the Audit Committee.

Corporate Governance Statement

Corporate Governance Codes

Given the Group's size and the constitution of the Board, the Board have chosen 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 the Group's governance framework. We believe that the adoption of the QCA Code is a pragmatic and proportionate set of governing guidelines which are proportionate to the risks, complexity and operations of the business.

Board Composition

The Board comprises 6 Directors, 3 of whom are Executive Directors and 3 of whom are Non-Executive Directors, reflecting a blend of different experiences and backgrounds further details of which are set out on page 58 and 59. The Board believes that the composition of the Board brings a desirable range of skills and experience in light of the Group's challenges and opportunities as a public company, while at the same time ensuring that no individual (or a small group of individuals) can dominate the Board's decision-making.

To leverage Richard King's vast experience in scaling operations the Board chose to appoint Richard King as an Executive Director and consequently appointed an additional Non-Executive Director to ensure that the appropriate level of independence is maintained at Board level.

Operation of the Board

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

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

Name	Board	Remuneration	Audit
Balbinder Johal	9/10	1/8[3]	
David Beech	10/10	–	
Jane Pateman	5/5[1]	2/8	1/2
Kate Lewis	9/10	–	2/2[2]
Richard King	10/10	5/8	1/2
Steve Dolton	10/10	8/8	2/2

Remuneration Committee members: Jane Pateman (Chair), Steve Dolton. **Audit Committee members:** Steve Dolton (Chair), Jane Pateman.

[1] Jane Pateman was appointed on 14 January 2019 as a Director, as a Representative of the Audit Committee and as Chair of the Remuneration Committee. Richard King stepped down from the Audit Committee and as Chair of the Remuneration Committee on the 14th January 2019.

[2] Kate attends audit committee by invitation.

[3] Bal Johal is not a member of the Remuneration Committee but attends by invitation as necessary.

The Board also intends to hold annual strategy days to review the strategic priorities and growth opportunities for the business, outside of the scheduled meetings and the first of those strategy days is scheduled to take place in September 2019.

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

Committees

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

Each Committee is comprised of the Non-Executive Directors (excluding the Chair) with Steve Dolton chairing the Audit Committee and Jane Pateman chairing the Remuneration Committee. Each Committee has unrestricted access to employees of the business or external advisors to meetings, to the extent that they consider it necessary in relation to any specific matter under consideration. Both Committees have sought to utilise external advice with the Remuneration Committee liaising with FIT Remuneration Consultants LLP for the purposes of advising on the terms of the performance share awards granted to Richard King following his move to an Executive Director role within the business, and the Audit Committee meeting with RSM, the Group's auditors, both with and without the presence of Executive Directors.

Remuneration Committee

The Remuneration Committee is responsible for:

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

Audit Committee

The Audit Committee is responsible for:

- Ensuring the financial performance of the Group is properly reported on.
- Monitoring the internal controls of the business.

Each of the Committees meets regularly and at least 2 times a year and the Chief Financial Officer also attends meetings of the Audit Committee by invitation to discuss any matters of relevance.

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

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

Board Effectiveness and Culture

The Board will conduct an internal review to evaluate its effectiveness and relevance, and that of its Committees with the first such review taking place in the Autumn following the first anniversary of the IPO. This review will focus on the effectiveness of the Board in setting the strategy, approach to risk management, the skill sets of the Board members and their use within the business, and the balance of decision-making within the business.

The Board carry a breadth of experience in sectors outside of the legal services market with strengths aligned with enhancing Knights' culture.

Internal Controls and Risk Management

Internal Control

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

- Proper business records are maintained and reported on, which might reasonably affect the conduct of the business.
- Monitoring procedures for the performance of the Group are presented to the Board at regular intervals.
- Budget proposals are submitted to the Board no later than 1 month before the start of each financial year.
- Accounting policies and practices suitable for the Groups activities are followed in preparing the financial statements.
- The Group is provided with general accounting, administrative and secretarial services as may reasonably be required.
- Interim and annual accounts are prepared and submitted in time to enable the Group to meet statutory filing deadlines.

The Group continues to review its system of internal controls to ensure compliance with best practice, whilst also having regard to its size and the resources available.

Corporate Governance Statement continued

Relations with Stakeholders

The Board is aware that the long-term success of the Group is reliant upon its employees, clients, shareholders, suppliers and regulators and as such the Group maintains consistent communication with these stakeholders to ensure that its continued growth in accordance with its strategy reflects their needs and expectations as well as those of the Group.

The Group encourages regular feedback from its clients and tracks its net promoter score to indicate the willingness of clients to recommend the Group's services. Based on client responses of the top 250 clients, the Group's net promoter score was 69 out of 100 which is considered above average amongst its peer group. As a business we are investigating automating this process so that the Group has live information at the end of each engagement of the level of client satisfaction although this at present remains under development.

The Group also endeavours to ensure that clients are met with regularly to canvas their opinion on the service levels received and provide any feedback as to how these relationships and/or services can be improved. The Group has a strong track record of retaining deep client relationships with some of these relationships being in excess of 25 years across a number of service lines provided within the Group's business.

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

The Group also has a regular dialogue with its regulator, the Solicitors Regulatory Authority (SRA) given its acquisitive nature and this constant transparent communication has enabled the Group to deliver 4 acquisitions within the financial year.

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

Annual General Meeting (AGM)

The AGM of the Group will take place on the 24th September 2019 and the Notice of Annual General Meeting which includes the associated resolutions accompany this Annual Report.

Remuneration Committee Report

Jane Pateman
Chair of the Remuneration Committee

Dear Shareholder,

I am pleased to present the Directors' Remuneration Report for the year ended 30 April 2019.

I chair the Remuneration Committee, having taken over from Richard King when I joined the Group as an independent Non-Executive Director in January. Steve Dolton, who is also an independent Non-Executive Director, is the other current member of the Committee.

Responsibilities

The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time.

The Remuneration Committee meet as and when necessary and met 8 times during the year.

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

Our Performance and Link to Remuneration

As summarised in the Chairman's Statement on page 9, the year was a transformational year for the Group, with the Group's shares being admitted to trading on AIM and with strong growth, both organically and through acquisitions in line with its strategy.

During the year none of the Executive Directors participated in an annual bonus arrangement.

As disclosed in the Admission Document, on 29 June 2018, the Group granted a Restricted Stock Award to Kate Lewis. The award becomes exercisable after 3 years from grant, subject to continued service.

On 29 March 2019, a Performance Share Award was granted to Richard King. The award will ordinarily become exercisable on 1 July 2022 subject to the grantee's continued service and to the extent to which the performance condition for the award based on growth in adjusted earnings per share is satisfied.

No long-term incentives vested during the year.

Executive Director Remuneration

Each of the Executive Directors has a service agreement with the Group. Each service contract may be terminated by either party serving 6 months' written notice. At its discretion, the Group may make a payment in lieu of such notice or place the Executive Director on garden leave. The service contracts also contain provisions for early termination in the event of various scenarios and contain typical restrictive covenants,

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

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

- **David Beech:** £200,000 (effective from 1 January 2019). The Board recognise that a market-standard salary for an equivalent CEO of an AIM listed company with a similar market capital of that expected of the Group is £250,000 (reference salary).The Group and David have agreed within his service agreement that this reference salary will become payable to David when the Remuneration Committee agrees that it has become appropriate for the Group to do so (including by way of gradual increases in salary over time towards the reference salary, as warranted by Group performance).
- **Kate Lewis:** £140,000 (effective from 1 January 2019
- **Richard King:** £175,000.

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

Annual bonus: No plan was operated for the 30 April 2019 financial year. A plan has been introduced for Richard King for the 30 April 2020 financial year with a maximum opportunity of 35% of salary with performance criteria based on profit-based targets as set by the Remuneration Committee.

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

- **Restricted Stock Awards:** Awards granted in the form of nil or nominal cost share options, subject to time-based vesting requirements and continued employment within the Group. No performance conditions will apply to Restricted Stock Awards.
- **Performance Share Awards:** Awards granted in the form of nil or nominal cost share options, whereby vesting is subject to satisfaction of performance conditions and continued employment within the Group.
- **Share Options:** Awards granted in the form of a share option with an exercise price equal to the market value of an Ordinary Share at the time of grant, subject to continued employment within the Group. Share options may or may not be subject to performance conditions.

* 2% up to 31 March 2019

Non-Executive Directors

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

The other Non-Executive Directors were appointed subject to re-election at the Annual General Meeting and are terminable on 1 months' notice by either party.

The current fee payable for services as a Non-Executive Director is £40,000 with an additional £5,000 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 Report. However, in the interests of transparency this has been included as a voluntary disclosure. The Report is unaudited, unless otherwise stated. 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
July 2019

Directors' Emoluments

	Fees/ Basic Salary (2019) £'000	Benefits (2019) £'000	Bonus (2019) £'000	LTIP £'000	Pension (2018) £'000	2019 Total £'000	2018 Total £'000
Executive Directors							
David Beech	142	–	–	–	1	143	–
Kate Lewis	123	–	–	–	3	126	116
Richard King[1]	82	–	–	–	1	83	–
Non-Executive Directors							
Balbinder Johal	43	–	–	–	–	43	6
Steve Dolton[2]	41	–	–	–	–	41	–
Jane Pateman[3]	13	–	–	–	–	13	–
Aggregate						449	122

Note

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

The directors remuneration comparative information for 2018 relates to the directors remuneration in Knights 1759 Limited for the 2018 financial year

Long-term Incentives

	Type of Award	Date of Grant	Number of Shares	Exercise Price per Share	Fair Value at Grant £'000	Performance Conditions	Vesting Date
Kate Lewis	Restricted Stock Award	29 June 2018	241,379	£0.002	350.00[1]	N/A	June 2021
Richard King[1]	Performance Share Award	29 March 2019	63,352	£0.002	183.75[2]	EPS[3]	July 2022

Note

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

Audit Committee Report

Steve Dolton
Chair of the Audit Committee

I am pleased to present the Audit Committee report for the year ended 30 April 2019.

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported and reviewed. Its role includes monitoring the integrity of the financial statements (including annual and interim accounts and results announcements), reviewing risk management and internal control systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by and overseeing the relationship with the external auditors.

Members of the Audit Committee and Attendance

The Committee consists of two independent Non-Executive Directors:

Steve Dolton (as Chair) and Jane Pateman. Jane replaced Richard King on the Audit Committee following her appointment as a Non-Executive Director and Richard's appointment as an Executive Director on 14 January 2019. Steve has recent and relevant experience as a result of his financial positions held and qualifications. Jane provides different but relevant skills and experience which support the Committee in meeting its objectives. Kate Lewis, the Chief Financial Officer and other Executive Directors may attend the Committee meetings by invitation. The Committee met twice during the period and ensures that sufficient time is set aside to meet with the external auditors, RSM, without Executive Directors being present to discuss any issues arising from their audit work. Neither the Group nor its Directors have any relationships that impair the external auditor's independence.

Duties

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

Monitoring the integrity of financial statements

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

The significant accounting judgements considered by the Committee are set out below.

The Committee has considered and reviewed any relevant papers from the finance function and the findings report of the external auditors on these areas. The key areas are:

Revenue recognition policy

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

Management use the expected outcomes as at the period end to establish the estimated value and compare to historic outcomes to ensure reasonableness. Estimates are updated as work progresses and any changes in revenue recognition as a result of a change in circumstances is recognised in the Statement of Comprehensive Income for that year. In relation to any contingent items, no profit element is taken until the liability is admitted. The Committee considers 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 acquired four separate entities. Accounting for these acquisitions involves a significant amount of management judgement to determine the allocation of purchase price, treatment of deferred consideration, assess the requirement for any fair value adjustments, identify and value the intangible assets arising, and estimate the useful lives of these assets. Having reviewed the working papers and resulting accounting treatment, the Committee are satisfied that the approach adopted by management is reasonable and fairly represents the underlying transactions.

Use of alternative performance measures

The Board uses a number of alternative performance measures. As the key driver for income is the number of fee earners employed, a number of these measures are based on fee earner numbers, ratios and fees generated by fee earners. Another key focus for the Board is management of its net debt position, therefore cash conversion and lock up days are closely monitored as these are key drivers of the resulting net debt position.

The Audit Committee is satisfied that these are the correct measures to use as they monitor the inputs that underpin the trading and cash performance of the Group. These measures are discussed in detail in the CFO's Review on pages 41–48.

Risk management and internal controls

As described on page 50 of the Strategic Report and page 61 of the Corporate Governance Statement, the Board has established a framework of risk management and internal control systems, policies and procedures. The Committee is responsible for reviewing the risk management and internal control framework, ensuring that it operates effectively. The Committee is satisfied that the internal controls currently in place are sufficient and operating effectively for a business of this size.

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

Changes to accounting policies

The Group has applied International Financial Reporting Standards when preparing its accounts. Although this does not represent a change in basis of preparation for the holding company, it does represent a change in basis for the subsidiary companies. The impact was not significant and affected only the amortisation of goodwill and capitalisation of transaction costs. The implications of each of these changes is fully disclosed in the relevant note in the subsidiary accounts.

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

Reviewing the extent of non-audit services provided by RSM

The Committee monitors the provision of non-audit services by the external auditor to ensure this has no impact on their independence. A breakdown of the fees between audit and non-audit services is provided in note 15 to the financial statements. The non-audit fees relate to one-off work on the IPO and due diligence assistance on certain acquisitions. This work was conducted by individuals independent of the audit team and therefore the Committee are satisfied the provision of these non-audit services does not impact the independence of the audit team.

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 remuneration.

The external auditor prepares a plan for its audit of the full year financial statements which is presented to the Committee before the commencement of the audit. The plan sets out the scope of the audit, areas of perceived significant risk where work will be focused and the audit timetable. This plan is reviewed and agreed by the Committee in advance of the detailed audit work taking place.

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

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

Application of IFRSs, and new and forthcoming standards

These are the first statutory accounts for the Group as it became following the IPO. The use of predecessor accounting means that the comparatives for 2018 are those from the pre-existing Knights business, before the new plc holding company was put in place to facilitate the IPO. They have been prepared under International Financial Reporting Standards (IFRS) as if those standards had always applied.
The two new standards most relevant to the Group are IFRS 9 Financial Instruments and IFRS 15 Revenue and Contracts with Customers.
The Committee has reviewed the implementation of these accounting standards and has reviewed the external auditors assessment on the application of these standards.
The Committee is satisfied with the application of IFRS 9 and IFRS 15 in the financial statements.

The Group has adopted IFRS 16 Leases with effect from 1 May 2019, although this standard was not effective for the year ended 30 April 2019 and so is not reflected in the financial statements. Management have conducted an impact assessment of this standard and the results are reported in note 3 to the financial statements on page 91. In summary, this standard is not expected to have a material impact on the Statement of Comprehensive Income for the year ended 30 April 2019 but the impact of bringing the Group's operating leases onto the Balance Sheet will require the recognition of a right-of-use asset of £18.7m and a lease liability of £20.4m. This change in accounting treatment will not have any impact of the Group's financial covenants associated with its borrowing facility.

Steve Dolton
Chair of the Audit Committee

8 July 2019

Directors' Report

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

Principal activities and business review

The principal activity of the Group is that of the provision of legal and professional services. The principal activity of the Company is that of a holding company. The results for the year and the financial position of the Group are disclosed in the detailed financial statements included on pages 75–130.

A review of the performance of the business during the year and potential future developments is included in the Chairman's report, CEO's report and the financial review.

Dividends

The directors recommend a final dividend of 1.27p per ordinary share to be paid on 30 September 2019 to ordinary shareholders on the register on 30 August 2019 which, together with the interim dividend of 0.6p per share paid on 15 March 2019, makes a total of 1.87p per share for the year. The final dividend has not been included within creditors as it was not approved before the end of the financial year.

Future developments

The Board plans to continue to invest in technology, recruitment and acquisitions within both the legal and non-legal sectors to support the Group's strategy of becoming the leading legal and professional services business outside London. Further details of the Group's future strategy can be found in the Strategic Report on pages 50–53.

Post Balance Sheet Events

As at the date of signing the accounts there are no significant Post Balance Sheets Events that require any further disclosure.

Directors and their interest in the shares of the parent company

The following directors have held office since 4 April 2018.

	Number of Shares	%
DA Beech (appointed 4 April 2018)	32,500,000	44.32
KL Lewis (appointed 9 May 2018)	2,801	–
RA King (appointed 1 June 2018)	63,926	0.08
BS Johal (appointed 1 June 2018)	1,000,000	1.36
S Dolton (appointed 1 June 2018)	61,724	0.08
J Pateman (appointed 14 January 2019)	–	–

Director's remuneration payable in the year ended 30 April 2019 is set out in the Remuneration Committee report on page 64–65.

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 3 May 2019 were as detailed below:

	Number of Shares	%
David Beech	32,500,000	44.32
Merian Global Investors	5,914,868	8.07
Gresham House Asset Management	3,169,968	4.32
Canaccord Genuity Wealth Management (inst)	3,000,000	4.09
Fidelity Management & Research	2,519,402	3.44
Invesco	2,453,404	3.35
Legal & General Investment Management	2,427,586	3.31
Kames Capital	2,395,924	3.27
Royal London Asset Management	2,323,000	3.17

Directors' Indemnity Provisions

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

Risk management

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

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

Political donations

The Group has not made any political donations.

Disabled persons

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

Employee consultation

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

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

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 8 July 2019 and signed on its behalf by:

David Beech
Chief Executive Officer

8 July 2019

Statement of Directors' Responsibilities

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

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

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

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

In preparing each of the group and company financial statements, the directors are required to:

a. Select suitable accounting policies and then apply them consistently;

b. Make judgements and accounting estimates that are reasonable and prudent;

c. State whether they have been prepared in accordance with IFRSs adopted by the EU;

d. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

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

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

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

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 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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 SME 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group key audit matters

Revenue recognition and contract assets

(Refer to note 2.5, regarding the accounting policy in respect of revenue recognition, note 4 in respect of critical judgements and estimates applied by the Directors note 5 to the financial statements for revenue recognition and note 22 for contract assets).

The risk

There is a risk that revenue could be materially misstated due to recognising revenue in the wrong amount. Revenue is materially impacted by changes in the contract assets balance which is subject to judgemental decisions by management. The Group has recognised revenue of £52.7m in respect of fees billed and accrued in the year.

The Group's contract assets balance at the year-end is £11.1m.

The contract assets are valued on a line by line basis using an estimated recovery rate at a point in time. The process of valuing contract assets and, in particular, estimating recovery rates, is judgemental and therefore considered to be a key audit matter.

Our response to the key audit matter included:

- assessing the reasonableness of the revenue figure in relation to both office and fee-earner numbers in comparison to prior financial years
- performing analytical review procedures to assess the change in recovery rates during the year and also to assess whether recovery rates applied in the assessment of the contract assets balance are consistent and reasonable
- comparing recovery rates used to estimate the value of contract assets at a month end during the financial year with subsequent actual recovery rates on bills
- reviewing the recovery rates for the year as recorded in the team sheets on a monthly basis and testing the integrity of the team sheets by agreeing the inputs back to source documents
- agreeing the accuracy 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

Acquisitions

(Refer to note 2.4 regarding the accounting policy in respect of business combinations and note 20 to the financial statements on page 105–110).

The risk

During the year the group acquired four separate entities. There are significant intangible assets arising as a result of each acquisition, including customer relationships of £12.9m and goodwill of £14.4m. In addition, there is deferred consideration arising of £4m. The determination and allocation of the purchase price, the fair value adjustments made to the assets and liabilities acquired, the identification and valuation of the intangible assets arising, and the useful lives of these assets, particularly the customer relationships, involve the exercise of a significant degree of management judgement and this is therefore considered to be a key audit matter.

Our response to the key audit matter included:

- obtaining copies of purchase documentation and considering which party has control, the date of acquisition, the date sale and control exchanged, the percentage acquired, the consideration offered and details of any deferred consideration
- confirming that the accounting treatment applied for each transaction is in accordance with relevant accounting standards
- confirming the value of material fair value adjustments to supporting evidence
- reviewing and challenging the appropriateness of the assumptions used in the fair value calculations to value the customer relationships and agreeing these to supporting evidence, including the growth rate, customer attrition rate and discount rate applied
- considering whether there are any other intangible assets which should be recognised as part of the fair value exercise
- checking the calculations of the customer attrition rates used to determine the useful life of the customer relationship assets

Parent company key audit matters

We did not identify any key audit matters for the parent company.

Independent Auditor's Report continued

to the Members of Knights Group Holdings plc

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 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. During planning materiality for the group financial statements as a whole was calculated as £500,000, which was not significantly changed during the course of our audit. Materiality for the parent company financial statements as a whole was calculated as £65,000, which was not significantly changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £25,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our group audit scope included the full scope audit of all components requiring a statutory audit. In aggregate, components not subject to full scope audit contributed to less than 10% of group revenue and group profit before tax and had no net assets at the period end. Analytical procedures at group level were performed for these non-significant components.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 72, 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.

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.

Geoff Wightwick,
Senior Statutory Auditor
For and on behalf of RSM UK Audit LLP, statutory auditor
Chartered Accountants
Festival Way
Festival Park
Stoke on Trent
ST1 5BB

Consolidated Statement of Comprehensive Income

For the year ended 30 April 2019

	Note	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Revenue	5	**52,662**	34,869
Other operating income	7	**415**	287
Staff costs	8	**(30,137)**	(20,449)
Depreciation and amortisation charges	11	**(1,473)**	(635)
Impairment of trade receivables and contract assets		**(439)**	(290)
Other operating charges	12	**(11,164)**	(6,935)
Non-underlying operating costs	13	**(1,847)**	(453)
Operating profit		**8,017**	6,394
Finance costs	14	**(2,776)**	(2,228)
Profit before tax		**5,241**	4,166
Taxation	16	**(1,240)**	(947)
Profit and total comprehensive income for the year attributable to equity owners of the parent		**4,001**	3,219

Earnings per share		**Pence**	Pence
Basic earnings per share	17	**5.84**	6.44
Diluted earnings per share	17	**5.81**	6.44

Consolidated Statement of Financial Position

As at 30 April 2019

	Note	30 April 2019 £'000	30 April 2018 £'000
Assets			
Non-current assets			
Intangible assets and goodwill	19	**46,444**	19,864
Property, plant and equipment	21	**3,319**	2,448
		49,763	22,312
Current assets			
Contract assets	22	**11,112**	7,447
Trade and other receivables	23	**13,671**	7,277
Cash and cash equivalents		**4,904**	2,118
		29,687	16,842
Total assets		**79,450**	39,154
Equity and liabilities			
Equity			
Share capital	24	**147**	100
Share premium	25	**32,486**	–
Merger reserve	26	**(3,536)**	(3,536)
Retained earnings	26	**10,158**	6,234
Equity attributable to owners of the parent		**39,255**	2,798
Non-current liabilities			
Borrowings	27	**19,000**	28,443
Deferred consideration	28	**1,611**	–
Deferred tax	29	**3,488**	1,384
		24,099	29,827
Current liabilities			
Trade and other payables	30	**12,105**	5,522
Deferred consideration	28	**1,628**	250
Contract liabilities	22	**120**	102
Corporation tax liability		**796**	494
Provisions	31	**1,447**	161
		16,096	6,529
Total liabilities		**40,195**	36,356
Total equity and liabilities		**79,450**	39,154

The financial statements were approved by the board and authorised for issue on 8 July 2019 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 2019

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 May 2017		100	–	(3,536)	3,015	(421)
Profit for the period and total comprehensive income		–	–	–	3,219	3,219
Balance at 30 April 2018		**100**	**–**	**(3,536)**	**6,234**	**2,798**
Profit for the period and total comprehensive income		**–**	**–**	**–**	**4,001**	**4,001**
Transactions with owners in their capacity as owners:						
Credit to equity for equity-settled share-based payments	9	**–**	**–**	**–**	**356**	**356**
Issue of shares		**47**	**32,486**	**–**	**–**	**32,533**
Dividends	18	**–**	**–**	**–**	**(433)**	**(433)**
Balance at 30 April 2019		**147**	**32,486**	**(3,536)**	**10,158**	**39,255**

Consolidated Statement of Cash Flows

For the year ended 30 April 2019

	Note	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Operating activities			
Cash generated from operations	34	**11,706**	6,523
Non-underlying operating costs paid		**(1,443)**	(453)
Interest received		**142**	112
Tax paid		**(1,076)**	(733)
Net cash from operating activities		**9,329**	5,449
Investing activities			
Acquisition of subsidiaries	20	**(15,625)**	–
Purchase of intangible fixed assets	19	**(90)**	(101)
Purchase of property, plant and equipment	21	**(1,214)**	(1,281)
Proceeds from sale of property, plant and equipment		**1**	1
Payment of deferred consideration		**(1,095)**	(200)
Net cash used in investing activities		**(18,023)**	(1,581)
Financing activities			
Proceeds from issue of share capital		**28,582**	–
Proceeds of new borrowings		**14,750**	–
Repayment of borrowings		**(24,940)**	(1,270)
Repayment of debt acquired with subsidiaries	20	**(4,443)**	–
Interest and other finance costs paid		**(2,036)**	(1,806)
Dividends paid		**(433)**	–
Net cash generated from/(used in) financing activities		**11,480**	(3,076)
Net increase in cash and cash equivalents		**2,786**	792
Cash and cash equivalents at the beginning of the period		**2,118**	1,326
Cash and cash equivalents at end of period		**4,904**	2,118

Notes to the Consolidated Financial Statements

For the year ended 30 April 2019

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 Company was incorporated in England as Knights Group Holdings Limited on 4 April 2018 as a private company limited by shares (registered no. 11290101) and subsequently acquired Knights 1759 Limited (the previous parent company in the group) and its subsidiaries on 18 June 2018 through a share for share exchange. The Company was re-registered as a public limited company on 20 June 2018 and became Knights Group Holdings plc.

The Group consists of Knights Group Holdings plc and all of its subsidiaries.

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 International Financial Reporting Standards adopted by the European Union (IFRSs).

Applying IFRSs 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 unless IFRSs requires an alternative treatment. 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, 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, at the time of approving the financial statements, the directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. The Group has a strong trading performance, is cash generative and has banking facilities of £27,000,000 available until June 2023. The Group's forecasts show sufficient cash generation, and headroom in banking and covenant facilities, in relation to anticipated future requirements to support the directors' decision to continue to adopt the going concern basis of accounting in preparing the financial statements.

2.3 Basis of consolidation
The consolidated financial statements incorporate the results of Knights Group Holdings plc and all of its subsidiaries. Subsidiaries results are consolidated in the financial statements from the earlier date that economic benefit is obtained or control commences until the date that control ceases.

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. The acquisition is outside the scope of IFRS 3 because Knights Group Holdings Limited did not meet the definition of a business. In the absence of specific guidance in IFRS, the group has selected an appropriate accounting policy using the hierarchy described in paragraphs 10 to 12 of IAS 8, which permits the consideration of other Financial Reporting Standards. The Group has adopted the principles of merger accounting from FRS 102. Accordingly, the consolidated financial statements for the Group have been presented as if Knights 1759 Limited has been owned by Knights Group Holdings plc throughout the current and preceding periods. The comparative figures include the results of the merged entity, the assets and liabilities at the previous balance sheet dates and the shares issued by Knights Group Holdings Limited as consideration as if they had always been in issue.

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 earlier date on which economic benefit or control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the earlier date that economic benefit is obtained or 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.

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
Turner Parkinson LLP	OC312799
Spearing Waite LLP	OC361998
Cummins Solicitors Limited	07403259

The outstanding liabilities at 30 April 2019 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 liabilities of these subsidiaries were transferred to Knights Professional Services Limited before 30 April 2019.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

2. Accounting policies continued

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.

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 when services are rendered.

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 fee-earners 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 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. 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 work in progress recognised in contract assets is limited to the costs incurred, which are expected to be recoverable in respect of the matter.

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 included in revenue 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.

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 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 entity 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.

2.6 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 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.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. 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.

2.7 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.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

2. Accounting policies continued

2.8 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 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.

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.

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

Purchased computer software	–	4 years
Customer relationships	–	12–25 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 12–25 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 acquired entities are rebranded as Knights and the impact of such recognition would not be material.

2.9 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
Office equipment	–	25% on cost
Furniture and fittings	–	10% on cost
Motor vehicles	–	25% on cost

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.

2.10 Impairment of non-current assets

An assessment is made at each reporting date of whether there are indications that non-current 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-current assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. All other impairment losses are recognised in Statement of Comprehensive Income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in the 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.

2.11 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. Provision is made in the financial statements within provisions (transferred from accrued expenses on 1 May 2018), for all claims where costs are likely to be incurred. This represents the cost of defending and concluding claims and any excesses 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.

2.12 Leases

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the Statement of Comprehensive Income in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

2.13 Retirement benefits

The Group operates a defined contribution scheme. The amount charged to the 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.

2.14 Share Based Payments

The cost of providing share based payments to employees is charged to the 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.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

2. Accounting policies continued

2.15 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 instruments are derecognised when the Group is no longer party to the contractual provisions of the instrument.

Financial assets

Contract assets and trade receivables

Contract assets and trade 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 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 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 historical 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 interest payable and other similar charges.

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 revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

Revised IFRS		Effective date
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 9 (amendments)	Prepayment Features with Negative Compensation	1 January 2019
IFRS 3	Business Combinations	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 1 May 2019.

The Group has chosen the simplified application of IFRS 16.

IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the Group will:

a) Recognise right-of-use assets and lease liabilities in the Consolidated Statement of Financial Position, initially measured at the present value of the future lease payments;

b) Recognise depreciation of right-of-use assets and finance costs on lease liabilities in the Consolidated Statement of Comprehensive Income;

c) Separate the total amount of cash paid into a principal portion and finance costs in the Consolidated Statement of Cash Flows.

Lease incentives (e.g. rent-free periods) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, recognised in accruals and amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), which are exempt under IFRS16, the Group will continue to expense these costs in the Statement of Comprehensive Income as they arise.

As at 30 April 2019, the Group has non-cancellable operating lease commitments of £26,240,000. The Group will recognise an adjusted right-of-use asset of £18,868,000 and a corresponding lease liability of £20,419,000 in respect of all these leases, being the present value of future lease payments.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

3. Accounting developments continued

The derecognition of prepayments of £185,000, lease incentive accruals of £1,759,000 and a £159,000 provision for onerous lease contracts will reduce the carrying amount of right-of-use asset and offset against the lease liability.

The expected impact on profit or loss in the year ended 30 April 2020 is to decrease other operating charges by £2,084,000, to increase depreciation by £1,632,000, to reduce non-underlying costs by £126,000 and to increase finance costs by £594,000.

Under IAS 17, all lease payments on operating leases are presented as part of cash flows from operating activities.

The impact of the changes under IFRS 16 would be to increase the cash generated by operating activities by £2,084,000 and to increase net cash used in financing activities by the same amount.

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 fee earners with detailed understanding of the cases. The carrying value of contingent fee arrangements work in progress at 30 April 2019 was £2,201,000 (2018: £1,613,000).

Share issue and IPO

The directors consider that the issue of shares in Knights Group Holdings plc prior to its IPO was unrelated to the subsequent IPO. The directors considered carefully which costs should be allocated to the issue of the new share capital. Where costs covered both the issue of new share capital and the IPO, the directors applied judgement in determining a fair method of apportionment of these costs between the share premium account and the Statement of Comprehensive Income. The method used allocated joint costs to share premium in proportion to the percentage of the new shares issued compared to the total number of shares. A different method of apportionment may have resulted in a different allocation to the share premium account and a different expense being charged to the Statement of Comprehensive Income.

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.

Amounts recoverable on contracts – recoverable amounts

The valuation of amounts recoverable on contracts ("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 fee earners. The estimation process has to take into account the progress of the case at the reporting date, and the estimated eventual fee payable by the client and the amount of time which will be incurred by fee earners in bringing the matter to a successful conclusion. The amount recognised in AROC at the year end was £8,911,000 (2018: £5,836,000), A 5% change in the estimated recovery of all matters would impact the profit for the period by approximately £570,000.

Accounting for business combinations and valuation of 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, profitability, length of key customer relationships and the appropriate weighted average cost of capital.

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 intangible assets arising from business combinations in the year is £27,247,000.

In order to assess the impact of the key assumptions on the values disclosed in the accounts the directors have applied the following sensitivities:

Key assumption	Rate applied in the financial statements	Sensitivity tested	Profit/(loss) impact £'000	Value of intangible assets £'000
Long term growth rate	3%	1%	17	(35)
WACC	16%	5%	207	479
Length of customer relationships	12–25 years	10%	62	(132)
Profitability	-	5%	(97)	(132)

The growth rate was determined using 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. The directors undertake an annual impairment review of goodwill to assess the carrying value is still supported by the cash flows from the CGU.

5. Revenue

All revenue is derived from contracts with clients and is recognised over time. As more fully explained 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 2019 is not required to be disclosed because it is comprised of contracts that are expected to have a duration of one year or less.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

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.

7. Other operating income

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Other income	**253**	166
Bank interest	**162**	121
	415	287

8. Staff costs

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

	Year ended 30 April 2019 Number	Year ended 30 April 2018 Number
Fee earners	**430**	349
Other employees	**123**	86
	553	435

Their aggregate remuneration comprised:

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Wages and salaries	**26,284**	18,376
Social security costs	**2,792**	1,960
Other pension costs	**614**	327
Other employment costs	**628**	273
Aggregate remuneration of employees	**30,318**	20,936
One off redundancy costs analysed as non-underlying costs (note 13)	**(712)**	(119)
Movement in contract assets relating to staff costs	**(73)**	(368)
Members' costs	**604**	–
Underlying staff costs in income statement	**30,137**	20,449

Members' costs relate to the remuneration of members of the Group's LLPs.

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 2019 £'000	Year ended 30 April 2018 £'000
Salaries, fees, bonuses and benefits in kind	**444**	110
Money purchase pension contributions	**5**	12
	449	122

The number of directors to whom benefits are accruing under money purchase pension schemes is 3 (2018: 3).

The remuneration of the highest paid director was:

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Salaries, fees, bonuses and benefits in kind	**142**	104
Money purchase pension contributions	**1**	12
	143	116

The comparatives above relate to the directors of Knights 1759 Limited, the former parent company of the Group.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

9. Share-based payments

The Group issues equity-settled share-based payments to its employees. The Group recognised total expenses of £356,000 (2018: £nil) relating to equity-settled share-based payment transactions in the year.

Any charges relating to schemes introduced as one-off schemes as part of the listing are included in non-underlying costs because the directors view these schemes as a reward to employees for their past performance prior to the IPO. 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.

c) "Share Options": Awards granted in form of a share option with an exercise price equal to the market value of an Ordinary share at the time of grant, subject to continued employment within the Group. Share Options may or may not be subject to performance conditions.

	Restricted stock awards	
	Number	Weighted average exercise price Pence
Outstanding at 1 May 2017 and 30 April 2018	–	–
Granted during the period	451,845	0.2
Outstanding at 30 April 2019	**451,845**	**0.2**
Exercisable at 30 April 2019	**–**	**–**

	Performance share awards	
	Number	Weighted average exercise price Pence
Outstanding at 1 May 2017 and 30 April 2018	–	–
Granted during the period	63,352	0.2
Outstanding at 30 April 2019	**63,352**	**0.2**
Exercisable at 30 April 2019	**–**	**–**

The options outstanding at 30 April 2019 had a weighted average exercise price of 0.2p and a weighted average remaining contractual life of 2.1 years. In the period, 379,308 options were granted on 29 June 2018, 68,210 options were granted on 30 November 2018, 4,327 on 1 February 2019 and 63,352 on 29 March 2019.

The aggregate of the estimated fair values of the options granted on these dates is £861,000. The inputs into the Black-Scholes model are as follows:

Weighted average share price	169p
Weighted average exercise price	0.2p
Weighted average expected volatility	28.1%
Weighted average expected life	2.7 years
Risk-free rate	1.5%
Expected dividend yield	1.1%

Expected volatility on 29 June 2018 was determined by using the historical data of comparable quoted companies because there was no historical data for the Company at that date. Expected volatility at 30 November 2018, 1 February 2019 and 29 March 2019 was determined by using historical share price data of the Company since it listed on 29 June 2018. The expected life used in the model has been based on management's best estimate after considering exercise restrictions and behavioural considerations.

Share Incentive Plan ("SIP")

The SIP is an "all employee" scheme under which every eligible employee within the Group was invited to participate. 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 2 free matching shares for each partnership share purchased. The matching shares are forfeited if the employee leaves within 3 years of the grant date.

	Partnership Shares Number	Matching Shares Number
Outstanding at 1 May 2017 and 30 April 2018	–	–
Granted during the period	219,244	438,488
Withdrawn during the period	(15,071)	–
Forfeited during the period	–	(30,141)
Outstanding at 30 April 2019	**204,173**	**408,347**
Unrestricted at 30 April 2019	**204,173**	**–**

The aggregate fair value of the matching shares was calculated at £846,000 using the observed share price at the grant date with regard to the non-vesting requirement of holding the partnership shares.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

9. Share-based payments continued

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 in November 2018. 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.

	SAYE options	
	Number	Weighted average exercise price Pence
Outstanding at 1 May 2017 and 30 April 2018	–	–
Granted during the period	900,785	162
Forfeited during the period	(4,350)	–
Outstanding at 30 April 2019	**896,435**	**–**
Exercisable at 30 April 2019	**–**	**–**

The options outstanding at 30 April 2019 had a weighted average exercise price of 162p and a weighted average remaining contractual life of 3 years. In the period, 900,785 options were granted on 21 December 2018. The aggregate of the estimated fair values of the options granted is £500,000. The inputs into the Black-Scholes model are as follows:

Exercise price	162p
Expected volatility	39.2%
Expected life	3.1 years
Risk-free rate	1.4%
Expected dividend yield	1.1%

Expected volatility was determined by using historical share price data of the Company since it listed on 29 June 2018. The expected life used in the model has been based on management's best estimate after considering exercise restrictions and behavioural considerations.

Warrants
Warrants were issued to Numis Securities Limited on Admission in respect of their services and shall be exercisable for a period of five years.

	Warrants Number	Warrants Weighted average exercise price Pence
Outstanding at 1 May 2017 and 30 April 2018	–	–
Granted during the period	706,897	1.7
Outstanding at 30 April 2019	**706,897**	**1.7**
Exercisable at 30 April 2019	**–**	**–**

This transaction results in no change to profit, assets, liabilities or overall equity of the Group.

10. Retirement benefit schemes

The Group operates a defined contribution pension scheme for employees. The total cost charged to income of £614,000 (2018: £327,000) represents contributions payable to the scheme by the Group. As at 30 April 2019, contributions of £207,000 (2018: £95,000) due in respect of the reporting period had not been paid over to the schemes.

11. Depreciation and amortisation charges

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Depreciation	**702**	406
Amortisation	**757**	199
Loss on disposal of property, plant and equipment	**14**	30
	1,473	635

12. Other operating charges

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Establishment costs	**3,184**	2,007
Other overhead expenses	**7,980**	4,928
	11,164	6,935

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

13. Non-underlying operating costs

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Redundancy costs	**712**	119
Transaction costs	**602**	334
Share based payment charges	**300**	–
Contingent consideration	**233**	–
	1,847	453

Non-underlying costs relate to redundancy costs to streamline the support function of the Group; transaction costs in respect of acquisitions, the placing of existing shares during the period and share based payment charges relating to one off share schemes offered to employees as part of the IPO.

Contingent consideration is included in non-underlying costs as it represents payments agreed under the terms of the sale and purchase agreements with vendors of certain businesses acquired which are contingent on the continued employment of those individuals with the Group. 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 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 2019 £'000	Year ended 30 April 2018 £'000
Interest on borrowings	**734**	2,228
Exit and release of arrangement fees arising on the repayment of debt at the IPO	**1,924**	–
Interest on deferred consideration	**114**	–
Other interest payable	**4**	–
	2,776	2,228

15. Auditor's remuneration

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Fees payable to the parent company's auditor and their associates for the audit of the parent company's annual accounts	**21**	14
Fees payable to the auditor and their associates for other services to the Group:		
– The audit of the Company's subsidiaries	**38**	10
Total audit fees	**59**	24
– Audit-related assurance services	**21**	7
– Taxation advisory services	**7**	–
– Corporate finance services	**80**	–
– Other advisory services	**63**	2
Total non-audit fees	**171**	9

In addition to the above, £95,000 of non audit costs relating to corporate finance services have been charged to the share premium account in the year.

Fees payable to the auditor and its associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements disclose such fees on a consolidated basis.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

16. Taxation

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Corporation tax:		
Current year	**1,327**	955
Adjustments in respect of prior years	**–**	(8)
	1,327	947
Deferred tax:		
Origination and reversal of temporary differences	**(87)**	–
Tax expense for the year	**1,240**	947

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

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Profit before tax	**5,241**	4,166
Tax at the UK corporation tax rate of 19% (2018: 19%)	**995**	792
Expenses that are not deductible in determining taxable profit	**245**	179
Adjustment in respect of prior years	**–**	(8)
Effect of changes in tax rates	**–**	(16)
Tax expense for the year	**1,240**	947

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

	Year ended 30 April 2019			Year ended 30 April 2018		
	Total £'000	**Underlying £'000**	**Non-Underlying £'000**	Total £'000	Underlying £'000	Non-Underlying £'000
Profit before tax	**5,241**	**9,819**	**(4,578)**	4,166	4,818	(652)
Tax expense	**1,240**	**1,678**	**(438)**	947	976	(29)
Effective rate of tax	**24%**	**17%**	**(10%)**	23%	20%	(4%)

17. 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 2019 Number	Year ended 30 April 2018 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**68,533,094**	50,000,000
Effect of dilutive potential ordinary shares:		
Share options	**194,389**	–
Warrants	**117,350**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**68,844,833**	50,000,000

	£'000	£'000
Profit after tax	**4,001**	3,219
Earnings per share	**Pence**	Pence
Basic earnings per share	**5.84**	6.44
Diluted earnings per share	**5.81**	6.44

The denominators for the purposes of calculating both basic and diluted earnings per share have been adjusted to reflect the group reorganisation with Knights 1759 Limited and the subdivision of ordinary shares in the period ended 30 April 2019.

Adjusted earnings per share is calculated as an alternative performance measure in note 36.

18. Dividends

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 30 April 2019 of 0.6p per share	**433**	–
	433	–
Proposed final dividend for the year ended 30 April 2019 of 1.27p per share	**931**	–

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 2019. The total estimated dividend to be paid is 1.27p per share. 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 2019

19. Intangible assets and goodwill

	Goodwill £'000	Brand £'000	Customer relationships £'000	Purchased computer software £'000	Total £'000
Cost					
As at 1 May 2017	12,244	5,401	2,496	155	20,296
Additions	–	–	–	101	101
As at 30 April 2018	**12,244**	**5,401**	**2,496**	**256**	**20,397**
Acquisitions of subsidiaries	**14,363**	**–**	**12,884**	**–**	**27,247**
Additions	**–**	**–**	**–**	**90**	**90**
As at 30 April 2019	**26,607**	**5,401**	**15,380**	**346**	**47,734**
Amortisation and impairment					
As at 1 May 2017	–	108	168	58	334
Amortisation charge	–	54	100	45	199
As at 30 April 2018	**–**	**162**	**268**	**103**	**533**
Amortisation charge	**–**	**54**	**639**	**64**	**757**
As at 30 April 2019	**–**	**216**	**907**	**167**	**1,290**
Carrying amount					
At 30 April 2019	**26,607**	**5,185**	**14,473**	**179**	**46,444**
At 30 April 2018	12,244	5,239	2,228	153	19,864
At 1 May 2017	12,244	5,293	2,328	97	19,962

The carrying amount of goodwill has been allocated to the single cash generating unit (CGU) present in the business, which is the provision of legal and professional services.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 3 years and extrapolates cash using a terminal value calculation based on an estimated growth rate of 3% (2018: 3%). 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 discount rates and growth rates for legal and professional services. 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 growth rates are based on UK economic growth forecasts for the legal services market.

The rate used to discount the forecast cash flows is 16.6% (2018: 20%).

The Group has conducted a sensitivity analysis on the impairment test of the CGU carrying value. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount of goodwill is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

20. Acquisitions

Acquisitions summary

During the year the Group has completed four acquisitions, the table below summarises the consideration paid and the net cash flow arising on all acquisitions in the period.

	Total £'000
Total identifiable assets and liabilities acquired	10,712
Goodwill	14,363
Total consideration	25,075
Satisfied by:	
Cash	16,225
Less: cash consideration treated as remuneration	(600)
	15,625
Equity instruments (1,978,031 ordinary shares of Knights Group Holdings plc)	3,950
Deferred consideration arrangement	4,000
Retention and settlement payment	1,500
Total consideration transferred	25,075
Net cash outflows arising on acquisition:	
Cash consideration	15,625
Net investing cash out flow arising on acquisition	15,625
Repayment of loans net of cash acquired	4,443
Net financing cash outflow arising on acquisition	4,443

Details for the individual acquisitions are included below.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

20. Acquisitions continued

Turner Parkinson LLP

On 18 May 2018, the Group exchanged contracts to acquire Turner Parkinson LLP, with economic benefit from 1 May 2018, through the agreement to purchase the controlling membership interests of the entity. The acquisition completed on 29 June 2018. Turner Parkinson LLP is a law firm based in Manchester and it was acquired to assist the Group in entering the Manchester legal and professional services market.

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	43	4,100	4,143
Property, plant and equipment	562	(387)	175
Contract assets	491	–	491
Trade and other receivables	1,725	–	1,725
Cash and cash equivalents	1,059	–	1,059
Liabilities			
Trade and other payables	(673)	(163)	(836)
Borrowings	(101)	–	(101)
Members' interests classified as a liability	(3,106)	–	(3,106)
Provisions	–	(95)	(95)
Deferred tax	–	(704)	(704)
Total identifiable assets and liabilities	**–**	2,751	2,751
Goodwill			8,180
Total consideration			10,931
Satisfied by:			
Cash			5,931
Equity instruments (689,655 ordinary shares of Knights Group Holdings plc)			1,000
Deferred consideration arrangement			4,000
Total consideration transferred			10,931
Net cash outflow arising on acquisition:			
Cash consideration			5,932
Repayment of loans net of cash acquired			2,148
Net cash outflow arising on acquisition			8,080

The goodwill of £8,180,000 arising from the acquisition consists of the assembled workforce. None of the goodwill is expected to be deductible for income tax purposes.

The fair value of the ordinary shares issued as part of the consideration was determined on the basis of the IPO admission price.

Future payments under the deferred consideration arrangement are £4,000,000. This deferred consideration attracts interest at a rate of 3.5% per annum. £875,000 of the deferred consideration was paid in the year, £1,562,500 is due on 1 May 2019 and the remaining £1,562,500 on 1 May 2020.

Economic benefit was attained as at 1 May 2018 therefore a full year's revenue and profit is represented within the accounts. Turner Parkinson LLP contributed £7,555,000 of revenue to the Group's Statement of Comprehensive Income for the period 1 May 2018 to 30 April 2019. 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 22 August 2018.

Spearing Waite LLP

On 8 October 2018, the Group obtained control of Spearing Waite LLP through the agreement to purchase the controlling membership interests of the entity. Spearing Waite LLP is a law firm based in Leicester and it was acquired to assist the Group in entering the Leicester legal and professional services market.

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	–	3,091	3,091
Property, plant and equipment	209	(25)	184
Contract assets	795	–	795
Trade and other receivables	1,455	–	1,455
Cash and cash equivalents	2,053	–	2,053
Liabilities			
Trade and other payables	(639)	(162)	(801)
Borrowings	(478)	–	(478)
Members' interests classified as a liability	(3,263)	–	(3,263)
Provisions	(132)	–	(132)
Deferred tax	–	(525)	(525)
Total identifiable assets and liabilities	–	2,379	2,379
Goodwill			3,071
Total consideration			5,450
Satisfied by:			
Cash			5,250
Equity instruments (97,208 ordinary shares of Knights Group Holdings plc)			200
Total consideration transferred			5,450
Net cash outflow arising on acquisition:			
Cash consideration			5,250
Repayment of loans net of cash acquired			1,669
Net cash outflow arising on acquisition			6,919

The goodwill of £3,071,000 arising from the acquisition consists of the assembled workforce. None of the goodwill is expected to be deductible for income tax purposes.

The fair value of the ordinary shares issued as part of the consideration was determined on the basis of the volume weighted average share price for the five days prior to completion.

A contingent consideration 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 Statement of Comprehensive Income on a straight line basis over the 3 year post acquisition period. The maximum undiscounted amount of all potential future payments under the contingent consideration arrangement is £1,065,000.

Economic benefit was attained as at 1 October 2018. Spearing Waite LLP contributed £4,089,000 revenue to the Group's Statement of Comprehensive Income for the period 1 October 2018 to 30 April 2019. 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 1 December 2018.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

20. Acquisitions continued

Cummins Solicitors Limited

On 14 January 2019, the Group obtained control of Cummins Solicitors Limited through the agreement to purchase the shares of the entity. Cummins Solicitors Limited is an employment law firm based in Leicester and was acquired to enable the Group to expand its offering in the Leicester legal and professional services market.

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	–	764	764
Property, plant and equipment	6	(6)	–
Contract assets	3	–	3
Trade and other receivables	134	–	134
Cash and cash equivalents	223	–	223
Liabilities			
Trade and other payables	(82)	(4)	(86)
Borrowings	(29)	–	(29)
Corporation tax liability	(51)	–	(51)
Provisions	–	(45)	(45)
Deferred tax	–	(130)	(130)
Total identifiable assets and liabilities	204	579	783
Goodwill			190
Total consideration			973
Satisfied by:			
Cash			1,323
Equity instruments (125,318 ordinary shares of Knights Group Holdings plc)			250
Contingent consideration			(600)
Total consideration transferred			973
Net cash outflow arising on acquisition:			
Cash consideration			722
Repayment of loans net of cash acquired			(201)
Net cash outflow arising on acquisition			521

The Group has the right to claw-back up to £600,000 of this cash consideration transferred if the seller voluntary resigns from his employment in the Group within a two year period post acquisition. Since this is contingent on the seller remaining in employment, IFRS 3:B55(a) requires this to be excluded from the consideration of the business combination and this is expensed as remuneration for post-combination services and is recognised as a non-underlying operating cost.

The fair value of the ordinary shares issued as part of the consideration was determined on the basis of the volume weighted average share price for the five days prior to completion.

Economic benefit was attained as at 1 January 2019. Cummins Solicitors Limited contributed £222,000 revenue to the Group's Statement of Comprehensive Income for the period 1 January 2019 to 30 April 2019. 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 1 February 2019.

BrookStreet des Roches LLP

On 1 April 2019, the Group obtained control of BrookStreet des Roches LLP through the agreement to purchase the controlling membership interests of the entity. BrookStreet des Roches LLP is a leading independent commercial law firm in Oxford with a strong reputation nationally for its real estate practise. It was acquired so the Group could expand its offering in the Oxford legal and professional services market.

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	–	4,886	4,886
Property, plant and equipment	20	(5)	15
Contract assets	588	–	588
Trade and other receivables	1,971	–	1,971
Cash and cash equivalents	530	–	530
Liabilities			
Trade and other payables	(1,753)	980	(773)
Borrowings	(213)	–	(213)
Members interest classed as a liability	(1,143)	–	(1,143)
Provisions	–	(231)	(231)
Deferred tax	–	(831)	(831)
Total identifiable assets and liabilities	–	4,799	4,799
Goodwill			2,922
Total consideration			7,721
Satisfied by:			
Cash			3,721
Retention and settlement payments payable			1,500
Equity instruments (1,065,850 ordinary shares of Knights Group Holdings plc)			2,500
Total consideration transferred			7,721
Net cash outflow arising on acquisition:			
Cash consideration			3,721
Repayment of loans net of cash acquired			827
Net cash outflow arising on acquisition			4,548

The goodwill of £2,922,000 arising from the acquisition consists of the assembled workforce. None of the goodwill is expected to be deductible for income tax purposes.

The fair value of the ordinary shares issued as part of the consideration was determined on the basis of the volume weighted average share price for the five days prior to exchange.

A contingent consideration 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 Statement of Comprehensive Income on a straight line basis. The maximum undiscounted amount of all potential future payments under the contingent consideration arrangement is £2,500,000.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

20. Acquisitions continued

£500,000 was retained from the completion monies as a retention in accordance with the completion mechanism and is payable on agreement of Completion accounts. As part of the acquisition agreement for BrookStreet des Roches LLP, the vendors agreed to settle the costs of surrendering the lease on the office premises occupied by the firm which the Group was not prepared to acquire. The lease surrender settlement was agreed at £2 million, of which £1 million was settled by the vendors from the consideration they received on completion, with the remaining £1 million to be paid by the Group, and included as deferred consideration in the fair value of consideration payable, over a period of up to three years.

BrookStreet des Roches LLP contributed £542,000 revenue to the Group's Statement of Comprehensive Income for the period 1 April 2019 to 30 April 2019. 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 1 April 2019.

21. Property, plant and equipment

	Expenditure on short leasehold property £'000	Office equipment £'000	Furniture and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
As at 1 May 2017	790	946	444	5	2,185
Additions	770	227	284	–	1,281
Transfers	(148)	19	129	–	–
Disposals	(11)	–	(32)	–	(43)
As at 30 April 2018	**1,401**	**1,192**	**825**	**5**	**3,423**
Acquisitions of subsidiaries	**9**	**155**	**210**	**–**	**374**
Additions	**603**	**585**	**26**	**–**	**1,214**
Disposals	**(7)**	**–**	**(12)**	**–**	**(19)**
As at 30 April 2019	**2,006**	**1,932**	**1,049**	**5**	**4,992**
Depreciation and impairment					
As at 1 May 2017	85	400	91	5	581
Depreciation charge	87	243	76	–	406
Eliminated on disposal	(3)	–	(9)	–	(12)
As at 30 April 2018	**169**	**643**	**158**	**5**	**975**
Depreciation charge	**238**	**307**	**157**	**–**	**702**
Eliminated on disposal	**(1)**	**–**	**(3)**	**–**	**(4)**
As at 30 April 2019	**406**	**950**	**312**	**5**	**1,673**
Carrying amount					
At 30 April 2019	**1,600**	**982**	**737**	**–**	**3,319**
At 30 April 2018	1,232	549	667	–	2,448
At 1 May 2017	705	546	353	–	1,604

22. Contract assets and liabilities

	Contract assets £'000	Trade receivables £'000	Contract liabilities £'000
As at 30 April 2019	**11,112**	**10,720**	**(120)**
As at 30 April 2018	7,447	5,732	(102)
As at 1 May 2017	5,908	5,843	(110)

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 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 it's 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 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 2019 was £2,201,000 (2018: £1,612,000)

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 limited to the costs incurred which are expected to be recoverable.

During the year, contract assets of £1,877,000 (2018:£nil) were acquired in business combinations.

An impairment loss of £57,000 has been recognised in prepayments (relating to contract assets) in the year (2018: £nil). This is based on the historical credit loss experience of these types of assets. The contract asset loss is estimated at 0.55% 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 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 when the services are performed.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

23. Trade and other receivables

	30 April 2019 £'000	30 April 2018 £'000
Trade receivables	**10,960**	5,806
Impairment provision – Trade receivables	**(240)**	(74)
Prepayments and other receivables	**3,008**	1,545
Impairment provision – Prepayments and other receivables	**(57)**	–
	13,671	7,277

Trade receivables

The average credit period taken on sales is 38 days as at 30 April 2019. No interest is charged on trade receivables.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime 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 the lifetime expected loss provision for all trade receivables. As the Group's historical 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 2019	Not past due	31-60 days past due	61-90 days past due	91-120 days past due	>120 days past due	Total
Expected credit loss rate	0.66%	0.66%	2.30%	1.60%	17.36%	2.05%
Estimated total gross carrying amount £'000	5,412	2,584	826	250	720	9,792
Lifetime ECL £'000	**36**	**17**	**19**	**4**	**125**	**201**

In addition to the above on trade receivables a further £39,000 (2018: £nil) impairment loss has been recognised against disbursement balances. This is based on 100% impairment against all disbursements with no activity on the matter for over 12 months and 0.8% against the remainder of the balance based upon the historical credit loss experience of this type of asset.

An impairment loss of £57,000 has been recognised on contract assets in the year (2018: £nil). This is based on the historical credit loss experience of these types of assets. The contract asset loss is estimated at 0.55%.

Other receivables

As at 30 April 2019 other receivables includes £513,000 (2018: £nil) of consideration paid in advance relating to the acquisition of Cummins Solicitors Limited which is contingent on continued employment over a two year period. This is being released to the Statement of Comprehensive Income over the two year period.

24. Share capital

	Ordinary shares	
	Number	£'000
As at 1 May 2017	100,000	100
Changes during the period	–	–
As at 30 April 2018	100,000	100
Changes during the period		
Ordinary shares of £1 each issued in respect of the share-for-share acquisition of Knights 1759 Limited (see note below)	–	–
Subdivision of 100,000 ordinary shares of £1 each into 50,000,000 ordinary shares of 0.2p each	49,900,000	–
Ordinary shares of 0.2p each issued at Initial Public Offering	20,689,656	41
Ordinary shares of 0.2p each issued in respect of the Share Incentive Plan (see note 9)	657,732	2
Ordinary shares of 0.2p each issued as consideration in the purchase of subsidiaries	1,978,031	4
At 30 April 2019	**73,325,419**	**147**

The comparative figure in the Statement of Financial Position relates to the 100,000 shares issued by the Company in exchange for the entire issued share capital of Knights 1759 Limited in accordance with the merger accounting policy explained in note 2.

25. Share premium

	£'000
As at 1 May 2017 and 30 April 2018	–
Premium arising on issue of equity shares	34,327
Expenses of issue of equity shares	(1,841)
At 30 April 2019	**32,486**

26. Reserves

	Merger reserve £'000	Retained earnings £'000
At 1 May 2017	(3,536)	3,015
Profit for the period and total comprehensive income	–	3,219
Balance at 30 April 2018	**(3,536)**	**6,234**
Profit for the period and total comprehensive income	**–**	**4,001**
Credit to equity for equity-settled share-based payments	**–**	**356**
Dividends	**–**	**(433)**
Balance at 30 April 2019	**(3,536)**	**10,158**

The merger reserve of £3,536,000 arose on the share for share exchange by Knights 1759 Limited and Knights Professional Services Limited. The reserve is the difference between the nominal value of Knights 1759 Limited share capital and amounts paid to the shareholders as part of the group reorganisation in October 2016 and the share capital, share premium value and capital redemption of the shares acquired in Knights Professional Services Limited.

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

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

27. Borrowings

	30 April 2019 £'000	30 April 2018 £'000
Secured borrowings at amortised cost:		
Bank loans	**19,000**	5,750
Other loan	**–**	22,693
Total borrowings	**19,000**	28,443
Amount due for settlement within 12 months	**–**	–
Amount due for settlement after 12 months	**19,000**	28,443

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

The Group has a credit facility of £27,000,000 in total (2018: £10,000,000) compromising term debt and revolving credit facilities. The current facility was initially taken out on 25 June 2018 and amended on 27 March 2019. The revolving credit facility is renewed each month and is due for final repayment on 25 June 2023. The term debt is due for repayment on 25 June 2023 or earlier if the agreed covenants are breached. The facility is secured by a fixed and floating charge over the Group's assets. The facility carries an interest margin above LIBOR of between 1.85% and 2.45% depending on the leverage level. A commitment fee of 35% of the applicable margin is payable on the undrawn amounts.

The other loan of £22,693,000 held at 30 April 2018 was due for repayment on 6 October 2023. Cash interest was payable on the other loan in quarterly instalments at a rate of 5% above LIBOR. Payment in kind interest accrued at a rate of 1.9% annually. If not paid quarterly, the payment in kind interest was capitalised and due for repayment on 6 October 2023. This loan was secured by a fixed and floating charge over the assets of the Group. This loan was repaid in the year ended 30 April 2019.

28. Deferred consideration

	30 April 2019 £'000	30 April 2018 £'000
Non-current liabilities		
Deferred consideration	**1,611**	–
	1,611	–
Current liabilities		
Deferred consideration	**1,628**	250
	1,628	250

The deferred consideration balance of £250,000 at 30 April 2018 related to the Group restructure and refinancing exercise completed in October 2016. This was settled during the year ended 30 April 2019.

Deferred consideration as at 30 April 2019 relates to the acquisition of Turner Parkinson LLP and is not contingent. The total deferred consideration was £4,000,000 of which £875,000 was paid during the year ended 30 April 2019.

In addition the Group has £146,000 of contingent consideration accrued and included within trade and other payables relating to the acquisition of Spearing Waite LLP. This is contingent based upon continued employment and is being accrued on a monthly basis in the Statement of Comprehensive Income in accordance with the terms of the agreement.

29. 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	Total £'000
As at 1 May 2017	79	1,305	–	1,384
Charge/(credit) for the year	30	(30)	–	–
As at 30 April 2018	**109**	**1,275**	**–**	**1,384**
Acquisitions of subsidiaries	**–**	**2,190**	**–**	**2,190**
Charge/(credit) for the year	**92**	**(118)**	**(60)**	**(86)**
As at 30 April 2019	**201**	**3,347**	**(60)**	**3,488**

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 2019 £'000	30 April 2018 £'000
Deferred tax assets	**(60)**	–
Deferred tax liabilities	**3,548**	1,384
	3,488	1,384

30. Trade and other payables

	30 April 2019 £'000	30 April 2018 £'000
Trade payables	**1,442**	985
Other taxation and social security	**3,511**	1,531
Other payables	**1,868**	1,153
Accruals	**5,284**	1,853
	12,105	5,522

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 26 days. No interest is charged on the trade payables.

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

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

31. Provisions

	Dilapidation provision £'000	Onerous contract provision £'000	Professional Indemnity provision £'000	Total £'000
As at 1 May 2017	151	–	–	151
Additional provision in the year	10	–	–	10
As at 30 April 2018	**161**	**–**	**–**	**161**
1 May 2019 – Transferred in from accruals	**–**	**–**	**284**	**284**
Acquisitions of subsidiaries	**231**	**272**	**–**	**503**
Additional provision in the year	**81**	**202**	**284**	**567**
Utilisation of provision	**–**	**(39)**	**(29)**	**(68)**
As at 30 April 2019	**473**	**435**	**539**	**1,447**

The dilapidations provision relates to the potential rectification of leasehold sites upon expiration of the leases. This has been based on a surveyor's valuation of the schedule of works included in the lease, or in absence of a surveyor's estimate, is based on the directors' estimate of potential liabilities.

The onerous contract provision relates to 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 to be paid by the Group prior to reassignment of the leases. The onerous contracts provision also includes contracts acquired via acquisition that are non-cancellable. The provision represents the remaining payments under the terms of the lease. Future lease payments are offset against the provision.

The professional indemnity provision (transferred from accrued expenses on 1 May 2018), 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 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.

32. Financial instruments

Categories of financial instruments

	30 April 2019 £'000	30 April 2018 £'000
Financial assets		
Amortised cost		
Contract assets	**11,112**	7,447
Trade and other receivables (excluding prepayments)	**11,706**	5,732
Cash and cash equivalents	**4,904**	2,118
Financial liabilities		
Amortised cost		
Borrowings	**19,000**	28,443
Deferred consideration	**3,239**	250
Trade and other payables	**8,448**	3,991
Fair value		
Trade and other payables	**146**	–

Financial risk management objectives

The Group's 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.

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.

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 2019 would decrease/increase by £95,000 (2018: decrease/increase by £146,000). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates has decreased during the current year mainly due to the reduction in the borrowings of the Group.

Credit risk management

Note 23 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.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

32. Financial instruments continued

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 meetings 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 and monthly 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.

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 2019	**< 1 year £'000**	**1–2 years £'000**	**2–5 years £'000**	**Total £'000**
Borrowings	**–**	**–**	**19,000**	**19,000**
Deferred consideration	**1,628**	**1,611**	**–**	**3,239**
Trade and other payables	**8,594**	**–**	**–**	**8,594**

30 April 2018	< 1 year £'000	1–2 years £'000	2–5 years £'000	Total £'000
Borrowings	–	–	28,443	28,443
Deferred consideration	250	–	–	250
Trade and other payables	3,991	–	–	3,991

The Group has met its covenant tests during the year.

Capital management

The capital structure of the Group consists of borrowings (as disclosed in note 27) and equity of the Group (comprising issued capital, reserves, and retained earnings as disclosed in the Statement of Changes in Equity).

In managing its capital, the Group's primary object 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 2019 £'000	30 April 2018 £'000
Borrowings (note 27)	**19,000**	28,443
Cash and cash equivalents	**(4,904)**	(2,118)
Net debt	**14,096**	26,325
Equity	**39,255**	2,798
	%	%
Net debt to equity ratio	**36**	941

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.

33. Capital commitments

As at 30 April 2019 there is a capital commitment of £425,000 (2018: £278,000) in relation to an ongoing office refurbishment.

34. Reconciliation of profit to net cash generated from operations

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Profit before taxation	**5,241**	4,166
Adjustments for:		
Amortisation	**757**	199
Depreciation	**702**	406
Loss on disposal of equipment	**14**	30
Contingent consideration not payable	**(30)**	–
Contingent consideration expense	**233**	–
Non-underlying operating costs	**1,314**	453
Share based payments	**356**	-
Interest income	**(162)**	(121)
Interest expense	**2,776**	2,228
Operating cash flows before movements in working capital	**11,201**	7,361
Increase in contract assets	**(1,788)**	(1,539)
(Increase)/decrease in trade and other receivables	**(1,171)**	325
Increase in provisions	**782**	9
Increase/(decrease) in contract liabilities	**18**	(8)
Increase in trade and other payables	**2,664**	375
Cash generated from operations	**11,706**	6,523

35. 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
As at 1 May 2018	28,443
Repayment of borrowings	(24,940)
New loans taken out	14,750
Non-cash changes:	
Release of arrangement fee	747
As at 30 April 2019	**19,000**

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

36. 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 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 International Financial Reporting Standards ('IFRS') as adopted by the European Union 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 2019 £'000	Year ended 30 April 2018 £'000
Operating profit	**8,017**	6,394
Depreciation and amortisation charges	**1,473**	635
Non-underlying costs (note 13)	**1,847**	453
Underlying EBITDA	**11,337**	7,482

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 2019 £'000	Year ended 30 April 2018 £'000
Profit before tax	**5,241**	4,166
Amortisation (adjusted for amortisation on computer software)	**693**	199
Non-underlying costs (note 13)	**1,847**	453
Non-recurring finance costs	**2,038**	–
Underlying profit before tax	**9,819**	4,818

Non-recurring finance costs relate to exit fees and arrangement fees expensed due to the refinancing of the Group during the year and accrued interest on deferred consideration.

c) Underlying profit after tax (PAT) and adjusted earnings per share (EPS)

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

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Profit after tax	**4,001**	3,219
Amortisation (adjusted for amortisation on computer software)	**693**	199
Non-underlying operating costs	**1,847**	453
Non-recurring finance costs	**2,038**	–
Tax in respect of the above	**(438)**	(29)
Underlying profit after tax	**8,141**	3,842

Adjusted earnings per share	**Pence**	Pence
Basic adjusted earnings per share	**11.88**	7.68
Diluted adjusted earnings per share	**11.83**	7.68

Tax has been calculated at the corporation tax of 19% or deferred tax rate of 17% on the relevant adjusting items.

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 adjusted PAT into free cash flows. Free cash flow is calculated as the total of net cash from operating activities, interest paid and net cash flows on capital expenditure after excluding cash flows in respect of non-underlying costs. Cash conversion % is calculated by dividing free cash flow by adjusted profit after tax, which is reconciled to profit after tax above.

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Cash generated from operations (note 34)	**11,706**	6,523
Adjustment for contingent earn out consideration paid in advance	**600**	-
Interest received	**142**	112
Tax paid	**(1,076)**	(733)
Net cash from underlying operating activities	**11,372**	5,902
Interest paid	**(745)**	(1,806)
Net capital expenditure	**(1,303)**	(1,381)
Free cash flow	**9,324**	2,715
Adjusted profit after tax	**8,141**	3,842
Cash conversion (%)	**115%**	71%

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

37. Operating lease arrangements

The Group as lessee

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Lease payments under operating leases recognised as an expense in the year	**2,104**	1,172

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	30 April 2019 £'000	30 April 2018 £'000
Within one year	**2,302**	1,627
In the second to fifth year inclusive	**9,408**	5,683
After five years	**14,530**	13,855
	26,240	21,165

Operating lease payments represent rentals payable by the Group for office properties, motor vehicles and office equipment.

38. 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 DA 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 £343,000 (2018: £343,000) were charged by KPV Propco Ltd to the Group.

The Group received a contribution for repair work in the year from KPV Propco Ltd of £nil (2018: £86,000).

During the year, the Group received cash of £nil (2018: £616,000) from KPV Propco Ltd. At 30 April 2019, there was an amount of £128,000 (2018: £127,896) owed to KPV Propco Ltd by the Group.

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 2019 £'000	Year ended 30 April 2018 £'000
Short-term employee benefits	**829**	244
Pension costs	**14**	21
Share-based payments	**106**	–
	949	265

Key management personnel includes board members and directors.

Transactions with directors

Dividends totalling £202,000 (2018: £nil) 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 2019

	Note	30 April 2019 £'000
Assets		
Non-current assets		
Investments in subsidiaries	42	**356**
Amounts receivable from subsidiaries	43	**34,010**
		34,366
Current assets		
Trade and other receivables		**14**
Total assets		**34,380**
Equity and liabilities		
Equity		
Share capital	44	**147**
Share premium	44	**32,486**
Share based payment reserve	45	**356**
Other reserve	45	**(100)**
Retained earnings	45	**1,363**
Equity attributable to owners of the Company		**34,252**
Current liabilities		
Trade and other payables		**1**
Corporation tax liability		**127**
Total liabilities		**128**
Total equity and liabilities		**34,380**

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 392 day period ended 30 April 2019 of £1,796,000.

The financial statements were approved by the board and authorised for issue on 8 July 2019 and are signed on its behalf by:

K Lewis

Kate Lewis
Director

Registered No. 11290101

Company Statement of Changes in Equity

For the period ended 30 April 2019

	Share capital £'000	Share premium £'000	Share-Based Payments £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 4 April 2018	–	–	–	–	–	–
Profit for the period and total comprehensive income	–	–	–	–	1,796	1,796
Transactions with owners in their capacity as owners:						
Credit to equity for equity-settled share-based payments	–	–	356	–	–	356
Issue of shares	147	32,486	–	–	–	32,633
Other Reserve (IAS 27:13)	–	–	–	(100)	–	(100)
Dividends paid	–	–	–	–	(433)	(433)
Balance at 30 April 2019	**147**	**32,486**	**356**	**(100)**	**1,363**	**34,252**

Notes to the Company Financial Statements

39. 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 2.14 to the consolidated financial statements.

40. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 39, 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.

There are no 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.

41. Profit for the year

As permitted by s408 of the Companies Act 2006, no separate profit and loss account or 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 15 to the consolidated financial statements.

The average monthly number of employees comprised of the executive and non-executive directors and was 6. Their aggregate remuneration borne by the Company was £nil.

42. Investments in subsidiaries

	£'000
Cost and net book value	
At 4 April 2018	–
Capital contribution in respect of equity-settled share-based payments	356
At 30 April 2019	**356**

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

Notes to the Company Financial Statements continued

42. Investments in subsidiaries continued

Details of the Company's subsidiaries at 30 April 2019 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	99.9%**	99.9%**
Spearing Waite LLP	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	99.9%**	99.9%**
Darbys Solicitors LLP	Midland House West Way, Botley, Oxford, OX2 0PH	Dormant	N/A	99.9%**	99.9%**
Knights Solicitors LLP	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	100%	100%
Cummins Solicitors Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
BrookStreet des Roches LLP	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	N/A	99.9%**	99.9%**
BSDR Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
BSDR Corporate Services Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
K&S Secretaries Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Knights Trustee Company No 1 Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Knights Trustee Company No 2 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%
Turner Parkinson Nominees Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Turner Parkinson Solicitors Ltd.	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
T.P.D.D Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
Darbys Director Services Limited	Midland House West Way, Botley, Oxford, OX2 0PH	Dormant	Ordinary	100%	100%
K&S (Nominees) Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%
K&S (560) Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%***
Charden Enterprises Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%***
Four Below Zero Limited	Knights Plc, The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%***
Endzin Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%***
DDB Consulting Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%***
Wingelock Limited	The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW	Dormant	Ordinary	100%	100%***

* Held directly by Knights Group Holdings plc
** The group holds 99.9% ownership interest with David Beech owning the remaining 0.01% to allow these entities to retain their LLP status
*** Legal title held on behalf of a nominee

The acquired entities, as detailed in note 20, were active during the financial year, but all dormant as at 30 April 2019.

Notes to the Company Financial Statements continued

43. Amounts receivables from subsidiaries

	30 April 2019 £'000
Amounts receivable from subsidiaries	**34,010**

Amounts receivable from subsidiaries are repayable on demand. Interest is charged at a rate of 3.5% per annum and is payable annually on 30 April each year. Unpaid interest on 30 April each year is added to the principal of the loan.

The balances are considered recoverable from the future cash flows of profitable trading subsidiaries. They are classified as non-current assets because they are not expected to be realised within 12 months of the reporting period.

The Company measures the loss allowance for intra-group receivables at lifetime expected credit losses ('ECL'). The ECL is estimated using a probability-weighted analysis of all possible outcomes with reference to the debtors' financial position and forecasts of future economic conditions. The resultant estimated ECL is not considered material to the financial statements, therefore the Company has recognised a loss allowance of £nil against amounts receivable from subsidiaries.

44. Share capital and share premium account

The movements on these items are disclosed in notes 24 and 25 to the consolidated financial statements.

45. Reserves

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.

46. Related party transactions

During the year, the Company issued 65,000 of its ordinary £1 shares to acquire 65,000 ordinary £1 shares of Knights 1759 Limited from Mr DA Beech, a person with significant influence over the Company and a member of key management personnel.

Glossary of Terms

Alternative Financial Performance Measure

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 2019 £'000	Year ended 30 April 2018 £'000
Operating profit	8,017	6,394
Depreciation and amortisation charges	1,473	635
Non-underlying costs (note 13)	1,847	453
Underlying EBITDA	**11,337**	**7,482**

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 2019 £'000	Year ended 30 April 2018 £'000
Profit before tax	5,241	4,166
Amortisation	693	199
Non-underlying costs	1,847	453
Non-underlying finance costs	1,924	–
Effective interest on deferred consideration	114	–
Underlying profit before tax	**9,819**	**4,818**

Non-recurring finance costs

Non recurring finance costs relate to the exit fees and release of arrangement fees arising on the repayment of debt at the IPO and interest on deferred consideration payable as part of the consideration on acquisitions,

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Exit fees and release of arrangement fees	1,924	–
Interest on deferred consideration	114	–
Non-recurring finance costs	**2,038**	**–**

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

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

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Profit after tax	4,001	3,219
Amortisation on acquisition related intangibles	693	199
Non-underlying operating costs	1,847	453
Non-underlying finance costs	1,924	–
Effective interest on deferred consideration	114	–
Tax in respect of the above	(438)	(29)
Underlying profit after tax	8,141	3,842
Adjusted earnings per share	**Pence**	**Pence**
Basic adjusted earnings per share	11.88	7.68
Diluted adjusted earnings per share	11.83	7.68

Glossary of Terms continued

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 adjusted PAT into free cash flows. Free cash flow is calculated as the total of net cash from operating activities, interest paid and net cash flows on capital expenditure after excluding cash flows in respect of non-underlying costs. Cash conversion % is calculated by dividing free cash flow by adjusted profit after tax, which is reconciled to profit after tax above.

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Cash generated from operations (note 34)	11,706	6,523
Adjustment for contingent earn out consideration paid in advance	600	–
Interest received	142	112
Tax paid	(1,076)	(733)
Net cash from underlying operating activities	11,372	5,902
Interest paid	(745)	(1,806)
Net capital expenditure	(1,303)	(1,381)
Free cash flow	9,324	2,715
Adjusted profit after tax	8,141	3,842
Cash conversion (%)	**115%**	**71%**

Working Capital

Working capital is calculated as:

Current assets	30 April 2019 £'000	30 April 2018 £'000
Contract assets	**11,112**	7,447
Trade and other receivables	**13,671**	7,277
	24,783	14,724
Current liabilities		
Trade and other payables	**12,105**	5,522
Contract liabilities	**120**	102
Corporation tax liability	**796**	494
	13,021	6,118
	11,762	8,606

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.

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.

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 to 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) and calculating how many days billing this relates to based on average fees (again excluding clinical negligence fees) per month for the last 6 months.

Total Shareholder Return (TSR)

Total shareholder return is calculated as:

Share price at 30 April 2019	**£2.830**
Share price at listing	(£1.450)
Dividend paid in period	£0.006
Gain on shares in period	£1.386
As a percentage of opening price	95.6%

Notice of Annual General Meeting

Notice is given that the first Annual General Meeting of the above named Company will be held at the Group's registered offices of The Brampton, Newcastle-under-Lyme, Staffordshire ST5 0QW on 24 September 2019 at 9.30am for the following purposes.

Ordinary Business

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

1. To receive the Group's audited accounts for the financial year ended 30 April 2019 together with the report of the Directors, the Strategic Report and the Auditors' Report of those accounts.
2. To approve the Directors' Remuneration Report for the financial year ended 30 April 2019, which is set out in the Group's Annual Report for the financial year ended 30 April 2019.
3. To declare a final dividend for the year ended 30 April 2019 of 1.27p per Ordinary Share in the capital of the Group, to be paid on 30 September 2019 to shareholders whose names appear on the register of members at the close of business on 30 August 2019.
4. To re-elect Balbinder Johal as a Director of the Group.
5. To re-elect David Beech as a Director of the Group.
6. To re-elect Steve Dolton as a Director of the Group.
7. To re-elect Kate Lewis as a Director of the Group.
8. To re-elect Richard King as a Director of the Group.
9. To re-elect Jane Pateman as a director of the Group.
10. To reappoint RSM UK Group LLP as auditors of the Group to hold office until the conclusion of the next Annual General Meeting of the Group at which the accounts are laid before the Group.
11. To authorise the Audit Committee to determine the remuneration of the auditors of the Group.

Special Business

12. To consider and, if thought fit, pass the following resolution as an ordinary resolution, **THAT,** in substitution for all existing and unexercised authorities and powers, the Directors of the Group be generally and unconditionally authorised for the purpose of section 551 of the Companies Act 2006 (Act) to exercise all or any of the powers of the Group to allot shares of the Group or to grant rights to subscribe for, or to convert any security into, shares of the Group (such shares and rights being together referred to as **Relevant Securities)**:

12.1 up to an aggregate nominal value of £48,881.6573; and

12.2 comprising equity securities (as defined in section 560(1) of the Act) up to a further aggregate nominal amount of £48,881.6573 in connection with an offer by way of a rights issue:

(a) to holders of Ordinary Shares in the capital of the Group in proportion (as nearly as practicable) to the respective numbers of Ordinary Shares held by them; and

(b) to holders of other equity securities in the capital of the Group, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange, provided that these authorities, unless previously renewed, varied or revoked by the Group in general meeting, to expire at the conclusion of the next Annual General Meeting of the Group or 24 December 2020 whichever is the earlier, save that the Directors of the Group may, before the expiry of such period, make an offer or agreement which would or might require Relevant Securities to be allotted after the expiry of such period and the Directors of the Group may allot Relevant Securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

To consider and, if thought fit, pass the following resolutions as special resolutions:

13. **THAT,** subject to the passing of resolution 12 and pursuant to sections 570 and 573 of the Act, the Directors be and are generally empowered to allot equity securities (as defined in section 560 of the Act) for cash under the authority conferred by that resolution and/or to sell Ordinary Shares held by the Group as treasury shares as if section 561(1) of the Act did not apply to any such allotment or sale, provided that such authority shall be limited to:

13.1 the allotment of equity securities or sale of treasury shares in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):

(a) to the holders of Ordinary Shares in the capital of the Group in proportion (as nearly as may be practicable) to their respective holdings; and

(b) to holders of other equity securities in the capital of the Group as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

13.2 the allotment of equity securities or sale of treasury shares (otherwise than pursuant to clause 13.1 of this resolution) to any person up to an aggregate nominal amount of £7.332.5419 (representing 5% of the current issued share capital of the Group).

The authority granted by this resolution will expire at the conclusion of the Group's next Annual General Meeting after the passing of this resolution or, if earlier, at the close of business on 24 December 2020, save that the Group may, before such expiry make offers or agreements which would or might require equity securities to be allotted (or treasury shares to be sold) for cash after the authority expires and the Directors may allot equity securities (or sell treasury shares) in pursuance of any such offer or agreement as if the authority had not expired.

This power is in substitution for all existing powers under sections 570 and 573 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

14. **THAT**, subject to the passing of resolution 12, the Directors be and are generally empowered in addition to any authority granted under resolution 13 to allot equity securities (as defined in section 560 of the Act) for cash under the authority conferred by resolution 12 and/or to sell Ordinary Shares held by the Group as treasury shares as if section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be:

(a) limited to the allotment of equity securities or sale of treasury shares up to an aggregate nominal amount of £7.332.5419 (representing 5% of current issued share capital of the Group); and

(b) used only for the purpose of financing (or refinancing, if the authority is to be used within 6 months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice.

The power granted by this resolution will expire at the conclusion of the Group's next Annual General Meeting after this resolution is passed or, if earlier, at the close of business on 24 December 2020, save that the Group may, before such expiry make offers or agreements which would or might require equity securities to be allotted (or treasury shares to be sold) for cash after the authority expires and the directors may allot equity securities (or sell treasury shares) in pursuance of any such offer or agreement as if the authority had not expired.

15. **THAT,** for the purposes of section 701 of the Act, the Group be and is generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares of £0.002 each in the capital of the Group **(Ordinary Shares)** provided that:

15.1 the maximum number of Ordinary Shares which may be purchased is 7,332,541 (representing 10% of the current issued share capital of the Group);

15.2 the minimum price (excluding expenses) which may be paid for each Ordinary Share is £0.002;

15.3 the maximum price (excluding expenses) which may be paid for each Ordinary Shares shall not be more than 5% above the average of the middle market quotations for an Ordinary Share as derived from the Daily Official List of The London Stock Exchange plc for the 5 business days immediately preceding the day on which the Ordinary Share is contracted to be purchased;

15.4 unless previously renewed, varied or revoked by the Group in general meeting, this authority shall expire at the end of the next Annual General Meeting of the Group (or, if earlier, at the close of business on 24 December 2020); and

15.5 the Group may enter into a contract or contracts to purchase Ordinary Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and, notwithstanding such expiry, make a purchase of Ordinary Shares in pursuance of such contracts as if the power conferred hereby had not expired.

16. That the period of notice required for general meetings of the Group (other than annual general meetings) shall be no less than 14 clear days' notice.

By Order Of The Board

Lisa Bridgwood
Company Secretary

Date: 8 July 2019

Registered Office:
The Brampton
Newcastle-under-Lyme
Staffordshire
ST5 0QW

Notice of Annual General Meeting

Notes:

1. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Group specifies that only those shareholders on the register of members of the Group as at 6.00pm on 20 September 2019 (or, if the meeting is adjourned, not later than close of business on the date which is 2 business days before the date of the adjourned meeting) will be entitled to attend or vote at the AGM and they may only vote in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 6.00pm on 20 September 2019 (or, if the meeting is adjourned, after close of business on the day which is 2 business days before the date of the adjourned meeting) will be disregarded in determining the rights of any person to attend or vote at the meeting.

2. A member of the Group entitled to attend and vote at the AGM is entitled to appoint one or more proxies to exercise all or any of his/her rights to attend and to speak and vote at the meeting. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. Failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the numbers of shares set out in the other proxy appointments is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid. A proxy need not be a member of the Group, but must attend the AGM to represent the member. Appointment of a proxy will not prevent members from attending this meeting and voting in person.

3. A form of proxy is enclosed with this Notice. If you do not have a form of proxy and believe that you should have one, or if you require additional forms please contact Computershare on +44 (0370) 703 0065 by **18th September 2019**. Should you wish to appoint more than one proxy, please photocopy the form indicating on each copy the name of the proxy you wish to appoint, the number of Ordinary Shares in respect of which the proxy is appointed and the way in which you wish them to vote on the resolutions that are proposed. You should send all pages together to Computershare in accordance with the instructions below.

4. To be valid, the form of proxy must be lodged with Computershare not later than 48 hours before the time fixed for the meeting, along with any power of attorney or other authority under which the proxy is appointed (or a notarially certified copy of such power or authority) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY.

5. You can lodge your vote electronically, by logging onto the Computershare website at www.investorcentre.co.uk/eproxy. An identifying Control Number, together with your unique Shareholder Reference Number (SRN) and PIN (all of which are printed on your attendance card/form of proxy) will be required. Full details of the procedure are given on the website. The proxy appointment and/or voting instructions must be received by the Group's registrars not later than 09.30 a.m. on 20 September 2019.

6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual (available via www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (Euroclear UK & Ireland) specifications and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent Computershare Investor Services PLC (under CREST ID number 3RA50), no later than 09.30am on 20th September, or by not later than 2 business days prior to the time appointed for the holding of any adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s) to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

7. The Group may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

8. To change your proxy instructions, simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see note 4 above) also applies in relation to amended instructions, any amended proxy appointment received after the relevant cut-off time will be disregarded.

   If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

9. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all of its powers as a member, provide that no more than one corporate representative exercises powers over the same share. A certified copy of the board resolution appointing the relevant person(s) as the representative of that corporation in connection with the meeting must be deposited at the address set out at note 4 above for Computershare prior to the commencement of the meeting.

10. As at 8 July 2019 (being the last practicable date before the publication of this notice), the Group's issued share capital consists of 73,325,419 Ordinary Shares of £0.002 each, carrying one vote each. The Group does not hold any Ordinary Shares in treasury. Therefore, the total voting rights in the Group as at 8 July 2019 are 73,325,419.

11. Copies of all Directors' service contracts with the Group and letters of appointment of Non-Executive Directors are available for inspection during normal business hours at the registered office of the Group (public holidays excluded) and will also be available for inspection at the AGM.

12. You may not use any electronic address provided either in this Notice of Annual General Meeting or in any related documents (including the form of proxy) to communicate with the Group for any purposes other than those expressly stated.

13. Biographical details of all those Directors who are offering themselves for reappointment at the meeting are set out on pages 58-59 of the enclosed Annual Report and Accounts.

14. Members who have general queries about the Annual General Meeting should contact the Group's Registrars, Computershare on 0370 703 0065. From overseas +44 (0370) 703 0065. Calls outside the United Kingdom will be charged at the applicable international rate. Computershare are open between 08.30am-17.00pm, Monday to Friday excluding public bank holidays in England and Wales). You may not use any electronic address provided either:

14.1 in this notice; or

14.2 any related documents (including the proxy form), to communicate with the Group for any purposes other than those expressly stated.

15 Notice of general meetings. The notice period required by the Act for general meetings of traded companies is 21 days unless shareholders approve a shorter notice period, which cannot, however, be less than 14 clear days. The Company is not a traded company for the purposes of the Act but is choosing to put Resolution 16 to Shareholders to comply with best practice. Annual General Meetings will continue to be held on at least 21 clear days' notice. The authority granted by Resolution 12, if passed, will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The shorter notice period afforded by Resolution 16 would not be used as a matter of routine for such meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

Shareholder information

Directors
DA Beech (appointed 4 April 2018)
KL Lewis (appointed 9 May 2018)
RA King (appointed 1 June 2018)
BS Johal (appointed 1 June 2018)
S Dolton (appointed 1 June 2018)
J Pateman (appointed 14 January 2019)

Secretary
L Bridgwood (appointed 1 June 2018)

Registered Office
The Brampton
Newcastle-Under-Lyme
Staffordshire
ST5 0QW

Registered Number
11290101

Independent Auditor
RSM UK Audit LLP
Chartered Accountants
Festival Way
Stoke-on-Trent
Staffordshire
ST1 5BB

Nomad and Broker
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10 Paternoster Square
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Financial Public Relations
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Allied Irish Bank (GB)
Vantage Point
Hardman Street
Spinningfields
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Registrar
Computershare Investor Services
The Pavilions
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