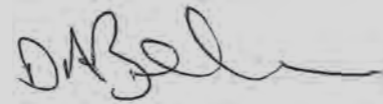


Chief Executive's Review

We have delivered a robust performance during the year and significantly elevated our position as a market leader outside London by continuing to deliver on our strategy.



David Beech
Chief Executive Officer
14 July 2021



Revenue increase

39.0%

(2020: 41%)

Acquisitions in FY21

£2.1m

Contribution to revenue

Underlying PBT* margin

17.8%

(2020: 18.3%)

Note

* See Glossary on pages 116-117.

The Group's rapid return to delivering strong levels of organic growth in the second half, following the disruption in the first half, is testament to the momentum in the business.

With the critical mass that the Group has now achieved, it is increasingly attracting high calibre talent with strong client followings, good quality clients who recognise the value of our premium service, and legal service firms that would like to be part of a larger, diversified, forward thinking group. The four acquisitions occurring in the period expanded our footprint into Sheffield and the South West, and strengthened our presence in the South East which we expect to benefit from a growing pool of talented lawyers that no longer wish to commute into London.

Our ability to react quickly to a changing external environment at the onset of the pandemic demonstrated the benefit of our corporate structure. Early and prudent actions, supported by our well invested IT infrastructure, positioned the Group to trade well through all of the lockdown periods, with our diversified, full service offering proving resilient, our staff moving seamlessly to working from home, and the successful remote integration of prior acquisitions, which were completed ahead of schedule.

The safety and wellbeing of our people remained the Group's priority, with all staff working from home continually throughout the COVID-19 pandemic since 13 March 2020, ahead of the UK government lockdown. I am particularly proud of the continued high levels of outstanding service delivered by our people as well as the efforts of the wider executive team in ensuring colleagues were kept informed and felt part of our 'one team' culture despite being away from a traditional office environment. We look forward to seeing both familiar and new faces in the coming months as part of our return to more office-based, hybrid working in September.

A year of significant progress

The increased scale and geographical presence achieved in recent years has delivered a step change in the Group's credibility as a leading legal and professional services business which, in turn, is attracting more high quality talent, clients and acquisition opportunities.

At a time when the pandemic has only served to highlight the challenges and uncertainties inherent in the traditional partnership model to some partners, Knights has earned a reputation as a well-positioned, growing business with an attractive model. As a result, we have continued our momentum in recruiting high calibre talent from other top 50 law firms and well-reputed professional services firms, typically with strong client followings. Importantly, we have also continued to invest in the training, development and wellbeing of our existing talent, and in modern offices in prime locations from which to work, helping us to retain the high quality people that will enable the business to grow.

The quality of our people and Knights' premium full service client offering has allowed us to continue to both win new clients and build on our already strong relationships with existing clients. The level of trust and reputation ascribed to Knights' services in the regions has validated our market position and brought the confidence to our fee earners to charge clients appropriately for the premium service we provide. Alongside greater focus from our growing pool of talented lawyers on strengthening our client relationships, our expanded Client Services team and Sales Director are also developing a greater understanding of our client base with a view to identifying opportunities to expand the services Knights can offer its clients. Whilst at an early stage, this greater focus on data will aid our drive to deliver continued strong levels of organic growth, allowing us to leverage our investment in our strong operational backbone.

Our scale has enabled us to support the onboarding of larger, high-quality clients,

with our 'one-team', service-driven culture encouraging greater collaboration across a growing suite of services. During the year we have achieved a number of significant organic client wins across the Group including easyJet, Papa John's, British Airways and William Hill.

In addition, we are widening our offering where we believe we can strengthen our position as key trusted advisors to our clients and expand the existing relationships across our corporate teams. For instance, we have built a significant dedicated team of specialist tax advisers, combining lawyers and accountants, which we are also replicating in debt advisory, where we believe there is a unique opportunity for Knights to offer a holistic accounting and legal service to corporates.

To support the Group's ongoing growth, we continue to invest in the business. We have agreed attractive lease arrangements in Birmingham, Leeds and Nottingham, with high quality office space remaining an important element of supporting Knights' collaborative culture, whilst hybrid working is expected to provide us with c.20% greater capacity. We continue to enhance our technology platform, launching our HR hub in the first half to complete our scalable operational platform, and remain focussed on continually developing tools to better support the business, its clients and acquisition integration. We have also appointed two additional Client Service Directors, taking their total number in the Group to eight. The Client Service Directors play an essential role in delivering operational performance across the business. Working closely with the executive Board they have overall responsibility for the financial performance of their offices and delivering organic growth in line with the Group's key objectives and culture. They also support the Group's acquisition strategy by taking the lead on the integration and management of each new business into the Group before, during and after the acquisition.

Client satisfaction

+75

Net Promoter Score



Chief Executive's Review continued

Building on our acquisition track record

The successful integration, ahead of schedule, of the Fraser Brown, Shulmans and ASB acquisitions which were announced in February and March 2020 during a period of transitioning to home working, only served to increase our confidence in our ability to execute on our attractive pipeline of acquisitions.

Building on our track record of acquiring high quality businesses with a strong cultural fit, we have continued to execute on our strategy to acquire businesses that provide entry in to a key market, providing a platform for organic growth in the region, or that can be bolted on to build scale in our existing locations.

Entry into Exeter, a key city in the large South West legal services market

Accordingly, on 14 December 2020 we completed the acquisition of OTB Eveling LLP, providing an entry into the South West and the city of Exeter, a key city in one of the largest regional markets for legal services (Bureau van Dijk, Mintel UK Legal Services Report 2021).

Founded in 2012, OTB Eveling further extends Knights' existing national presence with a full offering including corporate, employment, dispute resolution and real estate services. Since welcoming its 17 fee earners to the Group, Knights' scale and national reputation has already attracted quality recruits across the region. Now fully integrated into the Group, the business continues to progress well, with performance to date in line with our expectations.

Strengthened presence in the South East provides a strong platform for recruitment

On 16 April 2021 we completed the acquisition of Munday's LLP, an independent commercial law firm based in Surrey. Established over sixty years ago in Weybridge, Munday's strong corporate, real estate and private client services offering further strengthens Knights' existing presence in the South East, achieved through the acquisition of Crawley and Maidstone based ASB, in April 2020.

With its strong cultural fit evident from meeting a considerable number of the team before acquisition, its 34 fee earners and systems have integrated well, delivering initial synergy savings in line with expectations. The period of home working during lockdowns has also shown early signs of some talented lawyers being drawn to working in towns surrounding London instead of commuting, providing invigorated momentum to an already strong recruitment pipeline for talent on the outskirts of London.

On 23 April 2021 the Group completed the small acquisition of Housing Law Services, a niche housing team based in the South East, to complement Knights' existing housing services offering.

Joining up our presence in Yorkshire with entry into Sheffield

Having grown our position in Yorkshire significantly, we were delighted to announce the acquisition of Keebles at the year end. Established over a century ago, its full service offering and leading position in both corporate and real estate law provides an entry into the important city of Sheffield and the wider South Yorkshire area, complementing Knights' existing presence in Nottingham and Leeds.

The acquisition added 138 fee earners to Knights, bringing critical mass in an important market. The business has proved to be an exceptional cultural fit for Knights and early integration is encouraging.

Current trading and outlook

The well-balanced and highly diversified business we have built over a number of years proved to be resilient during a difficult economic period and, having further strengthened our depth and breadth, the Group's enhanced reputation is attracting high quality talent, clients and acquisition candidates.

Having emerged in a stronger position from the initial stages of the pandemic, our momentum continued to build through the second half of the year, allowing us to return to strong levels of organic growth in the last two months of the trading period. This momentum has continued with an increasing quantum and quality of new instructions across the business as we entered FY22, supported by a growing team of motivated and committed people across the Group.

We continue to see a high level of senior fee earner recruitment and acquisition opportunities, providing a strong pipeline of candidates from which to select. Having effectively executed several acquisitions and onboarded new joiners despite a period of home working, we look forward to building on this track record as we exit the latest lockdown.

In a challenging year for many businesses across the UK, the Board's confidence in the Group's strategy has been reinforced. We expect that COVID-19 will only accentuate the recruitment and acquisition opportunities for our resilient, well-invested, diversified and cash generative business in the highly fragmented and often under-invested market for legal services outside London.

