

**ADMISSION TO AIM**  
**KEYSTONE LAW GROUP PLC**

KEYSTONE LAW  
PANMURE GORDON & CO

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document or the action you should take, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent adviser who is authorised under the FSMA if you are in the United Kingdom, or, if outside the United Kingdom, from another appropriately authorised independent adviser.

This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies, has been issued in connection with an application for admission to trading on AIM of the entire share capital, issued and to be issued pursuant to the Placing, of Keystone Law Group plc. This document does not constitute an offer or any part of any offer of transferable securities to the public within the meaning of section 102B of the FSMA or otherwise. Accordingly, this document does not constitute a prospectus for the purposes of section 85 of the FSMA or otherwise, and has not been drawn up in accordance with the Prospectus Rules or filed with or approved by the FCA or any other competent authority.

**Application has been made for the Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that trading in the Shares will commence on AIM on 27 November 2017.**

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.**

The Company and the Directors, whose names appear on page 24 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

**The whole of this document should be read. Your attention is drawn in particular to Part II of this document entitled "Risk Factors", which describes certain risks associated with an investment in Keystone Law Group plc.**

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# KEYSTONE LAW GROUP PLC

*(incorporated and registered in England and Wales under the Companies Act 2006 with registered number 09038082)*

**Placing of 5,854,534 New Shares and 3,125,000 Sale Shares  
Subscription for 395,466 Subscription Shares  
at 160 pence per Share  
and  
Admission of the Enlarged Share Capital to trading on AIM**

**PANMURE GORDON & CO**

*Financial Adviser, Nominated Adviser and Broker*

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The Placing is conditional, *inter alia*, on Admission taking place by 8.00 a.m. on 27 November 2017 (or such later date as the Company and Panmure Gordon (UK) Limited may agree, being not later than 4 December 2017). The Placing Shares, will, on Admission, rank equally in all respects, including the right to receive all dividends or other distributions declared, made or paid on the Shares after Admission.

Panmure Gordon (UK) Limited, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company as nominated adviser and broker in connection with the Placing and Admission, and will not be responsible to any other person for providing the protections afforded to customers of Panmure Gordon (UK) Limited or advising any other person in connection with the Placing and Admission. Panmure Gordon (UK) Limited's responsibilities as the Company's nominated adviser under the AIM Rules for Companies and the AIM Rules for Nominated Advisers will be owed solely to London Stock Exchange and not to the Company, the Directors or to any other person in respect of such person's decision to subscribe for or acquire Placing Shares in reliance on any part of this document. Panmure Gordon (UK) Limited does not accept any responsibility whatsoever for the contents of this document, and no representation or warranty, express or implied, is made by Panmure Gordon (UK) Limited with respect to the accuracy or completeness of this document or any part of it.

This document does not constitute an offer to sell, or the solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution into the United States of America, Canada, Australia, New Zealand, the Republic of South Africa or Japan. The Shares have not been and will not be registered under the United States Securities Act 1933 (as amended) nor under the applicable securities laws of any states of the United States of America or any province or territory of Canada, Australia, New Zealand, the Republic of South Africa or Japan, nor in any country or territory where to do so may contravene local securities laws or regulations. Accordingly, the Shares may not be offered or sold directly or indirectly in or into the United States of America, Canada, Australia, New Zealand, the Republic of South Africa, Japan or to any national, resident or citizen of the United States of America, Canada, Australia, New Zealand, the Republic of South Africa or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions. The Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States of America regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Holding Shares may have implications for overseas shareholders under the laws of the relevant overseas jurisdictions. Overseas investors should inform themselves about and observe any applicable legal requirements. It is the responsibility of each overseas shareholder to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

Copies of the document will be available free of charge during normal business hours on any day (except Saturdays, Sundays and public holidays) at the registered offices of the Company and the offices of Panmure Gordon (UK) Limited at One New Change, London EC4M 9AF for one month from Admission. This document is also available on the Company's website, [www.keystonelaw.co.uk](http://www.keystonelaw.co.uk).

## IMPORTANT INFORMATION

This document should be read in its entirety before making any decision to subscribe for or purchase Shares. Prospective investors should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company or Panmure Gordon or any of their respective affiliates, officers, directors, employees or agents. Without prejudice to the Company's obligations under the AIM Rules for Companies, neither the delivery of this document nor any subscription made under this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or the Group since the date of this document or that the information contained herein is correct as at any time subsequent to its date.

Prospective investors in the Company must not treat the contents of this document or any subsequent communications from the Company or Panmure Gordon or any of their respective affiliates, officers, directors, employees or agents as advice relating to legal, taxation, accounting, regulatory, investment or any other matters.

If you are in any doubt about the contents of this document or the action you should take, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent adviser who is authorised under the FSMA if you are in the United Kingdom, or, if outside the United Kingdom, from another appropriately authorised independent adviser.

### Notice to prospective investors in the EEA

In relation to each member state of the EEA which has implemented the Prospectus Directive other than the United Kingdom (each, a "**Relevant Member State**"), no Shares have been offered or will be offered pursuant to the Placing to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that offers of Shares to the public may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (1) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (2) to fewer than 150, or, if the Relevant Member State has not implemented the relevant provision of the Prospectus Directive, 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in such Relevant Member State; or
- (3) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of the law of the Relevant Member state implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression "an offer to the public" in relation to any offer of Shares in any Relevant Member State means a communication in any form and by any means presenting sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression the "Prospectus Directive" means Directive 2003/71/EC (as amended), to the extent implemented in the Relevant Member State and includes any relevant implementing measure in each Relevant Member State.

### Notice to prospective investors in the United Kingdom

This document is being distributed to, and is directed only at, persons in the United Kingdom who are "qualified investors" within the meaning of section 86 of the FSMA: (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**FPO**"); and/or (ii) who are high net worth entities falling

within Article 49(2)(a) to (d) of the FPO; and (iii) other persons to whom it may otherwise be lawfully be distributed (each a "**relevant person**"). Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with such persons. Persons who are not relevant persons should not rely on or act upon this document.

### **Forward looking statements**

Certain statements in this document are or may constitute "forward looking statements", including statements about current beliefs and expectations of the Directors. In particular, the words "expect", "anticipate", "estimate", "may", "should", "plans", "intends", "will", "believe" and similar expressions (or in each case their negative and other variations or comparable terminology) can be used to identify forward looking statements. Such forward-looking statements are based on the Board's expectations of external conditions and events, current business strategy, plans and the other objectives of management for future operations, and estimates and projections of the Group's financial performance. Though the Board believes these expectations to be reasonable at the date of this document they may prove to be erroneous. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, achievements and performance of the Group, or the industry in which the Group operates, to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements.

Any forward looking statement in this document speaks only as of the date it is made. Save as required by law or the AIM Rules for Companies, the Company undertakes no obligation to publicly release the results of any revisions to any forward looking statements in this document that may occur due to any change in the Board's expectations or to reflect events or circumstances after the date of this document.

Any forward looking statement in this document based on past or current trends and/or activities of the Group should not be taken as a representation or assurance that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will match or exceed the historical or published earnings of the Group.

### **Presentation of financial information**

The consolidated historical financial information of the Group for the three years ended 31 January 2017 set out in Part III of this document has been prepared in accordance with IFRS, except that certain accounting conventions, commonly used for the preparation of consolidated historical financial information for inclusion in investment circulars (as described in the Annexure to Standards for Investment Reporting 2000 issued by the Financial Reporting Council in the United Kingdom) have been applied in respect of the historical financial information for the year ended 31 January 2015.

Certain non-financial measures such as EBITDA have been included in the financial information contained in this document as the Directors believe that these present important alternative measures with which to assess the Group's performance. These measures should not be considered as an alternative to revenue and operating profit, which are IFRS measures, or other measures of performance under IFRS. In addition, the Company's calculation of EBITDA may be different from the calculation used by other companies and therefore comparability may be limited.

### **Rounding**

The financial information and certain other figures in this document have been subject to rounding adjustments. Therefore, the sum of numbers in a table (or otherwise) may not conform exactly to the total figure given for that table. In addition, certain percentages presented in this document reflect calculations based on the underlying information prior to rounding and accordingly may not conform exactly to the percentages that would be derived if the relevant calculations were based on the rounded numbers.

### **Market, industry and economic data**

Unless the source is otherwise identified, the market, economic and industry data and statistics in this document constitute management's estimates, using underlying data from third parties. The Company

obtained market and economic data and certain industry statistics from internal reports, as well as from third-party sources as described in the footnotes to such information. The Company confirms that all third-party information set out in this document has been accurately reproduced and that, so far as the Company is aware and has been able to ascertain from information published by the relevant third-party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third-party information has been used in this document, the source of such information has been identified. Such third-party information has not been audited or independently verified.

This document includes market share, industry and forecasts that the Company has obtained from industry publications, surveys and internal company sources. As noted in this document, the Company has also obtained market and industry data relating to the Group's business from providers of industry data. Unless specifically referenced, all data on the size of UK Legal Services Market presented in Part I of this document has been sourced from The Lawyer Top 200 2017.

Market and industry data is inherently predictive and speculative, and is not necessarily reflective of actual market conditions. Statistics in such data are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. The value of comparisons of statistics for different markets is limited by many factors, including that: (i) the markets are defined differently; (ii) the underlying information was gathered by different methods; and (iii) different assumptions were applied in compiling the data. Consequently, the industry publications and other reports referred to above generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and, in some instances, these reports and publications state expressly that they do not assume liability for such information. Specifically, The Lawyer has not authorised the contents of, or any part of, this document and accordingly no liability whatsoever is accepted by The Lawyer for the accuracy or completeness of any market data attributed to them which is included in this document.

#### **No incorporation of website information**

The contents of the Company's website, any website mentioned in this document or any website directly or indirectly linked to these websites have not been verified and do not form part of this document, and prospective investors should not rely on such information.

## CONTENTS

	<i>Page</i>
<b>PLACING STATISTICS AND EXPECTED TIMETABLE</b>	<b>7</b>
<b>COMPANY OFFICERS, REGISTERED OFFICE AND ADVISERS</b>	<b>8</b>
<b>DEFINITIONS</b>	<b>9</b>
<b>PART I: INFORMATION ON THE GROUP</b>	<b>12</b>
<b>PART II: RISK FACTORS</b>	<b>30</b>
<b>PART III: HISTORICAL FINANCIAL INFORMATION</b>	<b>36</b>
<b>PART IV: UNAUDITED INTERIM FINANCIAL INFORMATION</b>	<b>60</b>
<b>PART V: ADDITIONAL INFORMATION</b>	<b>77</b>
<b>PART VI: TERMS AND CONDITIONS OF THE PLACING</b>	<b>97</b>

## PLACING STATISTICS AND EXPECTED TIMETABLE

### Placing Statistics

Placing Price (per Share)	160 pence
Number of Existing Shares	25,023,941
Number of Shares in the Placing:	
i. to be issued by the Company (the New Shares)	5,854,534
ii. to be sold by the Selling Shareholders (the Sale Shares)	3,125,000
Number of Shares to be issued by the Company pursuant to the Subscription (the Subscription Shares)	395,466
New Shares as a percentage of the Enlarged Share Capital	18.7 per cent.
Sale Shares as a percentage of the Enlarged Share Capital	10.0 per cent.
Subscription Shares as a percentage of the Enlarged Share Capital	1.3 per cent.
Number of Shares in issue following the Placing and Admission	31,273,941
Market capitalisation of the Company at the Placing Price following Admission <sup>(1)</sup>	£50.0 million
Estimated net proceeds of the Placing receivable by the Company <sup>(2)</sup>	£9.0 million
AIM ticker	KEYS
ISIN	GB00BZ020557
SEDOL	BZ02055
LEI	213800RTARHELL51S215

#### Notes:

- (1) The market capitalisation of the Company at any given time will depend on the market price of the Shares at that time. There can be no assurance that the market price of a Share will equal or exceed the Placing Price.
- (2) After deduction of estimated commissions, fees and expenses payable by the Company of approximately £1.0 million (excluding VAT).

### Expected Timetable

Publication of this document	16 November 2017
Admission becomes effective and commencement of dealings in the Enlarged Share Capital on AIM	8.00 a.m. on 27 November 2017
CREST accounts credited (where applicable)	27 November 2017
Despatch of definitive share certificates (where applicable)	by 4 December 2017

*All times are London, UK times. Each of the times and dates in the above timetable is indicative only and is subject to change without further notice.*



## COMPANY OFFICERS, REGISTERED OFFICE AND ADVISERS

<b>Directors</b>	Robin Williams ( <i>Independent Non-Executive Chairman</i> ) James Knight ( <i>Chief Executive Officer</i> ) Ashley Miller ( <i>Finance Director</i> ) Simon Philips ( <i>Non-Executive Director</i> ) Peter Whiting ( <i>Independent Non-Executive Director</i> )
<b>Company secretary</b>	William Robins
<b>Registered office</b>	48 Chancery Lane London WC2A 1JF
<b>Website</b>	<a href="http://www.keystonelaw.co.uk">www.keystonelaw.co.uk</a>
<b>Financial Adviser, Nominated Adviser and Broker</b>	Panmure Gordon (UK) Limited One New Change London EC4M 9AF
<b>Legal advisers to the Company</b>	Squire Patton Boggs (UK) LLP 7 Devonshire Square London EC2M 4YH
<b>Legal advisers to the Financial Adviser, Nominated Adviser and Broker</b>	Fieldfisher LLP Riverbank House 2 Swan Lane London EC4R 3TT
<b>Reporting Accountants</b>	RSM Corporate Finance LLP 25 Farringdon Street London EC4A 4AB
<b>Auditors</b>	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB
<b>Registrars</b>	Computershare Investor Services plc The Pavilions Bridgwater Road Bristol BS13 8AE
<b>Financial PR advisers to the Company</b>	Buchanan Communications Limited 107 Cheapside London EC2V 6DN

## DEFINITIONS

<b>Admission</b>	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules for Companies
<b>AIM</b>	the AIM market of the London Stock Exchange
<b>AIM Rules for Companies</b>	the AIM Rules for Companies published by the London Stock Exchange from time to time
<b>AIM Rules for Nominated Advisers</b>	the AIM Rules for Nominated Advisers published by the London Stock Exchange from time to time
<b>Articles</b>	the articles of association of the Company
<b>Board</b>	the board of directors of the Company
<b>Companies Act</b>	the Companies Act 2006 (as amended)
<b>CREST</b>	the computerised settlement (as defined in the CREST Regulations) operated by Euroclear which facilitates the transfer of title to shares in uncertificated form
<b>CREST Regulations</b>	the Uncertificated Securities Regulations 2001 (S1 2001/3755) including any enactment or subordinate legislation which amends or supersedes those regulations and any applicable rules made under those regulations or any such enactment or subordinate legislation for the time being in force
<b>Directors</b>	the directors of the Company as at the date of this document, whose names appear on page 24 of this document
<b>EBITDA</b>	earnings before interest, tax, depreciation and amortisation
<b>EEA</b>	the European Economic Area
<b>Enlarged Share Capital</b>	the issued share capital of the Company immediately following Admission, comprising the Existing Shares, the New Shares and the Subscription Shares
<b>Euroclear</b>	Euroclear UK & Ireland Limited, a company incorporated in England & Wales with registered number 287 8738, being the operator of CREST
<b>Executive Directors</b>	the executive Directors of the Company
<b>Existing Shares</b> or <b>Existing Share Capital</b>	the 25,023,941 Shares in issue as at the date of this document
<b>FCA</b> or <b>Financial Conduct Authority</b>	the Financial Conduct Authority of the United Kingdom
<b>FSMA</b>	the Financial Services and Markets Act 2000, as amended
<b>Group</b>	the Company and its subsidiaries and subsidiary undertakings (in each case as defined in the Companies Act)
<b>Historical Financial Information</b>	the audited historical financial information of the Group for the three years ended 31 January 2017, as set out in Part III of this document

<b>IFRS</b>	International Financial Reporting Standards as adopted by the European Union
<b>ISIN</b>	International Security Identification Number
<b>Keypoint Law</b>	Keypoint Law Pty Limited, an Australian company in which Keystone Law has an equity interest
<b>Keystone or the Company</b>	Keystone Law Group plc
<b>Keystone Law</b>	Keystone Law Limited, a subsidiary of the Company
<b>LEI</b>	Legal Entity Identifier
<b>Licensed Body</b>	a body licensed by the SRA under the Legal Services Act 2007
<b>Loan Notes</b>	the £8,571,427 fixed rate (6 per cent. per annum) unsecured loan notes issued by the Company to each of Root Capital, James Knight, Charles Stringer and William Robins in the proportions set out in paragraph 10.8 of Part V pursuant to a loan note instrument dated 17 October 2014
<b>Lock In Shareholders</b>	each of the Directors, William Robins, Charles Stringer, Kristina Oliver, Mark Machray, Maurice Tunney, Alexander Sayers and Root Capital
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>MAR</b>	Market Abuse Regulations (596/2014/EU)
<b>Member State</b>	a member state of the EEA
<b>New Shares</b>	the 5,854,534 new Shares to be issued by the Company pursuant to the Placing
<b>Non-Executive Directors</b>	the non-executive directors of the Company (including the Chairman)
<b>Panel</b>	the Panel on Takeovers and Mergers
<b>Panmure Gordon</b>	Panmure Gordon (UK) Limited
<b>PAYE</b>	Pay-as-you-earn tax
<b>Placing</b>	the conditional placing of the Placing Shares at the Placing Price pursuant to the Placing Agreement and/or the Selling Shareholders' Agreement
<b>Placing Agreement</b>	the conditional agreement entered into on or about the date of this document between the Company, Panmure Gordon and the Directors in relation to the Placing of the New Shares and Admission, details of which are set out in paragraph 9 of Part V of this document
<b>Placing Price</b>	160 pence per Placing Share
<b>Placing Shares</b>	the New Shares and the Sale Shares
<b>Prospectus Directive</b>	Directive 2003/71/EC of the European Parliament and of the Council of the European Union
<b>Prospectus Rules</b>	the prospectus rules made by the FCA under Part VI of the FSMA, as amended

<b>QCA</b>	the Quoted Company Alliance
<b>QCA Code</b>	the Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 published by the QCA
<b>QCA Remuneration Committee Guide</b>	the Remuneration Committee Guide for small and mid-size Quoted Companies 2016 published by the QCA
<b>Regulation S</b>	Regulation S under the US Securities Act
<b>Root Capital</b>	Root Capital Fund II Limited Partnership
<b>Sale Shares</b>	the 3,125,000 Shares to be sold by the Selling Shareholders pursuant to the Placing
<b>Selling Shareholders</b>	James Knight, Root Capital and Charles Stringer
<b>Selling Shareholders Agreement</b>	the conditional agreement entered into on or about the date of this document between the Selling Shareholders, Panmure Gordon and the Company in relation to the Placing of the Sale Shares, details of which are set out in paragraph 8 of Part V of this document
<b>Senior Managers</b>	certain members of the Company's management team (other than the Executive Directors), details of whom are set out in paragraph 9.2 of Part I of this document
<b>Shares</b>	ordinary shares of £0.002 each in the capital of the Company
<b>SME</b>	small and medium enterprises, being companies with between 50 – 250 employees and an annual turnover of between £10 million – £50 million
<b>SRA</b>	Solicitors Regulation Authority
<b>Subscribers</b>	Sue Knight Crellin, Richard Lund, Marcia Gunning and William Robins
<b>Subscription</b>	the subscription for the Subscription Shares by the Subscribers pursuant to the Subscription Letters
<b>Subscription Letters</b>	the letters executed by the Subscribers whereby they have agreed to subscribe for Subscription Shares
<b>Subscription Shares</b>	the 395,466 Shares to be issued by the Company to the Subscribers in accordance with the Subscription Letters, pursuant to the Subscription
<b>Takeover Code</b>	the City Code on Takeovers and Mergers published by the Panel
<b>UK</b>	the United Kingdom
<b>US or United States</b>	the United States of America
<b>US Persons</b>	has the meaning given in Regulation S
<b>US Securities Act</b>	the US Securities Act of 1933
<b>£ and p</b>	United Kingdom pounds sterling and pence respectively

## **PART I:**

### **INFORMATION ON THE GROUP**

#### **1. Overview**

##### ***Introduction***

Keystone is a UK Top 100, fast growing, profitable and cash generative challenger law firm. Established in 2002, Keystone is one of the first platform models (or "the networked law firm") disrupting the traditional model of law firms operating within the legal services mid-market. Keystone's model permits scalability of its operations, enabling an increase in the number of revenue generating, experienced lawyers quicker than the traditional model. The business has, over the three years ended 31 January 2017, generated consistent revenue growth of over 20 per cent. per annum and, for the year ended 31 January 2017, reported revenue of £25.6 million, EBITDA of £2.1 million and operating cash flow of £1.2 million.

##### ***About Keystone***

As a full service networked law firm, Keystone delivers conventional legal services across 23 service areas (which Keystone groups into 8 practice areas) and over 50 industry sectors (with the notable exceptions being high volume/low value personal injury and property conveyancing), to a client base comprising predominantly of SMEs and private individuals. It is how these services are delivered via Keystone's distinctive platform model, rather than the services themselves, which differentiates Keystone from other law firms. It is this platform model which has been central to Keystone's growth to date and success, as evidenced by the firm's recent breakthrough into The Lawyer's UK Top 100 law firms, at number 94.

Keystone has over 250 high calibre, experienced, self-employed lawyers, who contract with the Group predominantly through personal service companies. The lawyers work from their own offices mainly throughout the UK (with some based in other countries such as Ireland, the Isle of Man and beyond), supported by the central office team in the Group's head office in the heart of London's legal district on Chancery Lane. Bespoke proprietary software, developed using leading modern open source products and coding languages, enables Keystone's lawyers to interact with the central office team and each other in an easy and efficient manner, whilst extensive networking and social events engender a strong sense of belonging to the Keystone family.

The lawyers have no fixed remuneration, instead benefitting from a transparent, consistent and 100 per cent. variable pay structure, with between 60-75 per cent. of fees paid to the lawyer once Keystone has been paid for the work undertaken. The Directors believe that, unlike traditional law firms, the cash generative nature of Keystone's platform model and the associated lack of fixed salary overheads of its lawyers enables the Group to scale rapidly and without working capital pressures and constraints.

Keystone's platform model and associated remuneration structure is attractive to high calibre, experienced lawyers from mid-market firms with their own client following, providing an alternative way to practise the law and the opportunity to earn more than in a conventional firm whilst enjoying a better work-life balance. The recruitment of such lawyers enables the business to drive its growth and to develop a highly diverse client base. With over 250 lawyers each developing their own business opportunities and cross-referring work to Keystone colleagues, the Directors believe that this growth is sustainable.

##### ***The UK Legal Services Market***

###### ***Overview***

The UK legal services market is the second largest in the world, behind the US, with fee revenue for 2014/15 of £30.9 billion, accounting for approximately 10 per cent. of global legal services revenue and one fifth of European legal services fee revenue (source: CityUK, July 2016). The UK market is extremely diverse, with the "Magic Circle", "Silver Circle" and other "global elite" law firms, representing the top 15 in the UK by revenue, generating in aggregate £14.7 billion and, at the other end of the market, a large number of firms outside the UK Top 200, with annual revenues of below £9 million. These smaller firms are categorised by the Directors as the "high street" offering.

The segment between the top 15 and the high street offering is UK-centric and categorised by the Directors as the "mid-market". Generating £8.8 billion of annual revenues, this is the segment in which Keystone operates, and typically where it has recruited its lawyers from.

### *Market trends*

Conventional UK mid-market law firms have, for several years, suffered from pressures brought about by the increasing commoditisation of many of their services as well as the general economic climate. This has resulted in ongoing pressure on fee income which has been compounded by increasing overheads, in particular property costs.

The Directors believe that conventional firms have typically responded to these market trends by setting their experienced lawyers with progressively increasing billing targets, whilst expecting them to drive business development and retain significant managerial responsibility. At the same time, the Directors believe much of the historical appeal of equity partnership has reduced, with many junior partners no longer seeing the merits traditionally associated with that form of ownership. These dynamics have resulted in a significant number of experienced but dissatisfied lawyers across the UK mid-market seeking alternative ways to practise law.

The Directors believe that, as a result of these trends, the UK legal services mid-market offers significant opportunity for an alternative model law firm such as Keystone.

### ***Market opportunity and key differentiators of Keystone's platform model***

The Directors believe that Keystone's platform model offers an attractive solution to the large numbers of dissatisfied lawyers with client followings across the mid-market. The Directors believe Keystone provides lawyers with the opportunity to focus on developing their client relationships and delivering legal services, with all other 'support' services delivered by the Group's dedicated central office team. A strong, recognised brand provides assurance to clients and lawyers alike and ensures a smooth transition of work and a basis for the strengthening of their relationships. With over 250 lawyers, the breadth of knowledge and experience across Keystone would also be inaccessible to a significant proportion of lawyers operating in smaller firms in the mid-market.

The Directors believe that another attractive feature underpinning Keystone's success is the sense of belonging to the Keystone family amongst its lawyers. This is primarily achieved through a programme of continuous professional development and networking events organised by Keystone's central office, and the delivery by Keystone of a high quality and responsive service to its lawyers, with significant emphasis placed by central office on treating the Group's lawyers as if they were clients.

By predominantly operating through personal service companies, the Keystone model provides complete flexibility for lawyers to develop their practices according to personal preference, driving their income to whatever level they can or want to achieve. They are able to operate individually, as the majority currently choose to, cross-referring the work which they generate but which falls outside their own legal expertise to other Keystone lawyers and / or employ their own junior lawyers to leverage their earning capacity.

Overall, Keystone provides its lawyers with freedom, flexibility and autonomy combined with the support and infrastructure they need to undertake their work.

### ***Reasons for Admission***

The Directors consider Admission to be an important step in the Group's development, increasing brand recognition whilst lending further credibility to its offering to both clients and lawyers, thereby enhancing the Group's future growth potential.

The net proceeds of the Placing of the New Shares and of the Subscription of approximately £9.0 million will be used primarily to redeem the outstanding amount of the Loan Notes held by certain of Keystone's existing shareholders totalling approximately £7.4 million and leave the Group debt free following Admission (interest cost for the year ended 31 January 2017: £0.5 million), with the balance of £1.6 million to be used for general corporate and working capital purposes. In addition, the Placing of the Sale Shares will raise approximately £5.0 million (before expenses) for the Selling Shareholders.

Further details of the Loan Notes and the instrument by which they were constituted can be found in paragraph 10.8 of Part V of this document.

## **2. Key strengths of the Group**

The Directors believe that the Group's core strengths lie in the following areas:

### ***Significant addressable market, ripe for disruption***

Keystone operates in the UK legal services mid-market, which has total annual revenue of £8.8 billion. All types of legal work delivered in the mid-market are capable of being delivered by lawyers within the Keystone model. Conventional firms within the segment have typically suffered in recent years from downward fee and upward cost pressures. At the same time, the appeal of equity partnership in the mid-market, traditionally viewed by the legal profession as the ultimate goal for a lawyer, has waned, with the perceived security of rewards historically associated with this option having been eroded, particularly in light of several high-profile conventional law firm failures in recent years and the emergence of alternative business models following the introduction of the Legal Services Act 2007. These trends have resulted in significant numbers of dissatisfied but highly experienced lawyers with loyal client followings seeking an alternative means of delivering legal services to their clients. The Directors believe that there is a significant opportunity for the Group to continue to take advantage of this dissatisfaction through the ongoing recruitment of such lawyers.

### ***A clear and simple growth strategy to take advantage of the market***

Central to Keystone's growth strategy is the continuing recruitment of experienced lawyers who bring with them their clients and associated revenues. In the legal services mid-market, client relationships are frequently associated with the lawyer rather than the law firm. The recruitment of lawyers is therefore key to bringing new clients into the Group and generating growth. Keystone's success in this area is demonstrated by the recent rapid growth in the number of its lawyers, increasing from just over 100 in January 2012 to 248 as at 31 July 2017.

### ***An attractive proposition for lawyers and clients***

The Keystone model enables lawyers to focus exclusively on developing client relationships and delivering legal work, whilst being well remunerated for the work they do. With Keystone lawyers working across 23 service areas (which Keystone groups into 8 practice areas) and covering over 50 sectors, the breadth of colleague experience is large and continues to grow, providing lawyers with the opportunity to offer clients a more extensive range of services than may have been available at their previous firms as well as cross-sell their experience to Keystone's other clients.

The Directors also believe that the Keystone model enhances a client's experience as it motivates the Group's lawyers to be highly responsive to client needs and facilitates a more commercial approach to pricing, by granting lawyers the ability to negotiate the fees with the client on an engagement by engagement basis. This results in experienced lawyers being able to deliver a more bespoke and attentive service to their clients.

### ***A strongly cash generative financial model with negligible fixed direct costs and with scope for further operating margin enhancement***

Keystone's lawyers are self-employed, working from their own offices with no fixed or minimum remuneration. The lawyer remuneration structure is calculated with direct reference to the fees they generate, and lawyers are not paid if Keystone does not get paid for the fees billed. As such, the Group's gross margin is extremely stable and, with office facilities only provided to the Group's central office team, the significant overheads prevalent in most legal services businesses are much lower in Keystone's model.

A substantial part of Keystone's overhead base is fixed (approximately 30 per cent. for the year ending 31 January 2017), accordingly the Directors are of the view that there is significant scope for operating margins to increase as the business grows, as demonstrated by the increase in EBITDA margins from 5.1 per cent. in the year ended 31 January 2015 to 8.1 per cent. in the year ended 31 January 2017. The Group also has a strong cash generation profile, since lawyers are only paid once Keystone has been paid. This aspect of the business model has underpinned average historical operating cash conversion, which is above 80 per cent for the 2.5 years since January 2015.

### ***Robust, sustainable income with good predictability of earnings***

The Group has no dependency on any single practice area, which reduces concentration risk of any single practice area. The Board has also decided that Keystone will not operate in areas of the legal practice which are exposed to a higher level of risk (for example, but not limited to, high volume, low value personal injury



and property conveyancing). As each lawyer brings and builds their own client relationships, the client base is extremely diverse, with no single client representing more than two per cent., and no single lawyer representing more than 3.5 per cent., of aggregate revenue across the three years ended 31 January 2017, which reduces the risk of revenue concentration. With each lawyer acting as a business developer, Keystone's lawyers tend to develop and drive revenues that sustain their level of income and thus provide a strong degree of predictability over the Group's future revenues.

**A scalable, proven business model which has demonstrated a history of growth**

Keystone already has the necessary infrastructure, including IT, developed and deployed with capacity to support substantially higher lawyer numbers. The experienced senior management team has proven its ability to drive the growth of the Group and the financial dynamics of Keystone's model mean that significant numbers of lawyers can be recruited each year without significantly increasing the working capital requirements of the Group. This has been demonstrated over the history of the business.

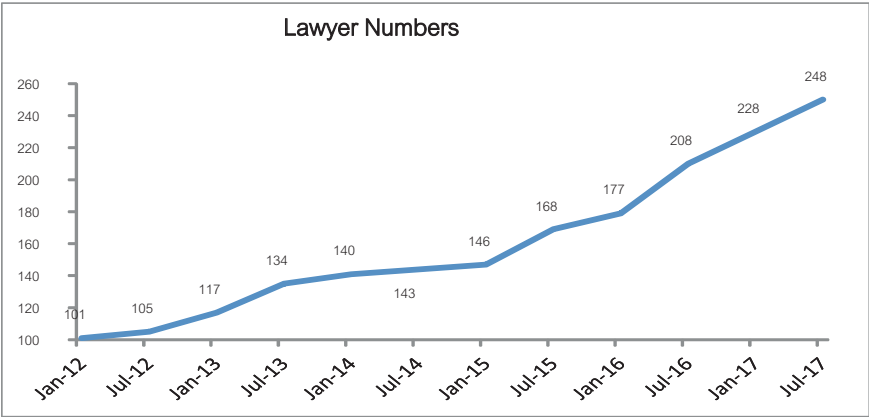
**3. History and background**

Keystone Law Limited, the Group's main trading company, was founded by James Knight (Keystone's chief executive officer) and Charles Stringer in 2002. James and Charles had identified an opportunity to provide an alternative to the traditional model for the delivery of legal services.

By January 2009, the Directors believe Keystone's business had grown to circa 55 lawyers and the Keystone Law brand was established. In 2009, William Robins was recruited as Operations Director, with responsibility for the firm's regulatory compliance and legal procedures. A steady period of growth followed and, by 31 January 2012, lawyer numbers exceeded 100.

In 2013, Keystone took advantage of changes introduced by the Legal Services Act 2007 to convert to an Alternative Business Structure ("**ABS**"), the effect of which was that ownership and management of the firm could legally be held by 'non-lawyers'. Mark Machray was appointed in 2013 as a director of Keystone Law, responsible for recruitment. Kristina Oliver also joined the business as Marketing Director, providing dedicated marketing resource to the Company.

In 2014, Keypoint Law was launched, an Australian law firm that operates Keystone's platform model under a licensing arrangement and in which Keystone holds a 14 per cent. interest. In October 2014, reflecting the successful growth of the business, private equity fund Root Capital invested in Keystone (which then became the holding company of the Group), acquiring a 35 per cent. shareholding, with the remaining 65 per cent. held by James Knight (55 per cent.), William Robins (5 per cent.) and Charles Stringer (5 per cent.). At the same time, Simon Philips, Root Capital LLP's Managing Partner, was appointed to the Board as non-executive Chairman, with Charles Stringer retiring from his executive role but remaining a director of Keystone. Shortly after, Maurice Tunney joined the Group as IT Director and then, in February 2015, Ashley Miller was recruited as Finance Director, thereby completing the process of establishing the operational management team currently in place and providing the platform for an acceleration in the growth rate in lawyer numbers, as demonstrated by the graph below:





In 2016, Keystone launched in the Isle of Man, becoming the first UK law firm to establish a presence there in over 20 years. In October 2016, the Company vacated its previous head office in Victoria, London, moving to a more prestigious location on Chancery Lane, London, viewed by the Directors as more suitable to the Group's size, standing and brand image, and better able to facilitate the Board's growth plans. In February 2017, Keystone launched in Northern Ireland.

In September 2017, Keystone was ranked 94th in The Lawyer's 2017 rankings of the UK's biggest law firms by turnover, joining the Top 100 for the first time. Also in September 2017, Legal Week published its Best Legal Advisers Report 2016-17, with Keystone the only firm to make the top five in all eleven categories surveyed. In October 2017, The Legal 500 United Kingdom guide to law firms in the UK was published, with 21 of Keystone's specialisms and 54 of its lawyers recognised for the delivery of legal services, with the guide also recognising the firm in every jurisdiction in which it operates.

As at 31 July 2017, Keystone has grown to 248 lawyers and, in the six months ended 31 July 2017, recorded (unaudited) turnover and EBITDA of £15.3 million (2016: £12.4 million) and £1.7 million (2016: £1.2 million) respectively, representing growth of 23.8 per cent. and 38.0 per cent. respectively from the corresponding period in the previous year.

#### **4. UK Legal Market and the Growth Opportunity – Overview**

##### **4.1 Market Size and Competitive Environment**

The UK legal market is the second largest in terms of fee income in the world, representing approximately ten per cent. of global legal services, with annual fee revenue of £30.9 billion in 2014/15. The UK is the largest legal market in Europe, second only to the US worldwide and is globally recognised as the most international due to the widespread use of English law as the framework for international commercial contracts and dispute resolution.

The UK market operates under three different regulatory environments, covering England and Wales (89.7 per cent. of the UK market by value), Scotland (8.9 per cent.) and Northern Ireland (1.4 per cent.). The Legal Services Act 2007 introduced pivotal reforms liberalising the market in England and Wales which, through the creation of the ABS structure, allowed 'non-lawyers' to own and act in management capacities within law firms. These reforms have not been adopted in Northern Ireland, nor fully adopted in Scotland, where legal practice ownership remains restricted to members of those countries' regulatory bodies.

The UK market is diverse, comprising approximately 10,500 law firms nationwide in 2014 (source: SRA website) and around 91,000 solicitors acting in private practice. Despite this, the Directors believe that the overall market can be broadly divided into three segments:

1. The "global elite" (the Magic Circle and Silver Circle firms and others that together make up the 15 largest UK firms by annual revenue): these firms focus on delivering complex legal services to the largest global businesses, generating in aggregate £14.67 billion annual fee income and employing over 39,000 fee earners, with an average revenue per fee earner of approximately £374,000 (Source: The Lawyer Top 200 2017).
2. The "mid-market" (the largest 200 law firms in the country (including Keystone) excluding the global elite): these firms account for £8.78 billion annual fee income and employ approximately 47,000 fee earners (average revenue per fee earner of £185,500) (Source: The Lawyer Top 200, 2017).
3. The "high street" market: this category covers the rest of the market and accounts for £7.45 billion revenue across 13,000 firms and employs approximately 27,000 lawyers, with the total number of fee earners being unavailable.

##### **4.2 Market Trends**

###### *Overall market*

The size of the UK legal services market increased by over 50 per cent. in the decade to 2015 and revenue for the sector has grown year on year for the last five years. Over the same period, the number of solicitors in private practice has increased from approximately 78,000 to approximately 91,000.

Over this period, the sector has experienced significant changes to the legislative framework within which it operates, the most significant of which was the introduction of the Legal Services Act 2007 as referred to

above. This has, in turn, facilitated a significant change in how legal services can be delivered, resulting in both new entrants to the market and the creation of new business models which challenge the longstanding models of the traditional law firms.

General macroeconomic conditions, as well as the broader development and use of technology to deliver everyday services across the UK economy, have also played their part in increasing client pressure on fees and producing a marked shift in legal services pricing mechanisms expected by clients.

#### *The mid-market*

The mid-market has been more significantly affected by the changes referred to above than the global elite, as the services offered are more widely available and opportunities for differentiation more limited. This has led to many legal services becoming commoditised, increasing the pressure from clients on fees, both in terms of absolute value and structure. This is reflected in the PwC Law Firms Survey 2015 which reported that 38 per cent. of total fees of the UK law firms ranked 51 to 100 by revenue were under fixed fee arrangements compared with 23 per cent. for the top 25 firms.

New entrants to the market have also created pressure, with challenger firms entering the market unburdened by legacy organisational structures developed over many years to fulfil traditional legal demands. These alternative models tend to be more agile or simply built to target specific niche areas of the market. The challengers have all played a role in eroding the share of work delivered by the traditional law firms in the mid-market.

Within the traditional firms, the most common response has been to demand greater effort from those in senior associate and junior partner roles to deliver more revenue per head and drive business development whilst still retaining a high level of managerial responsibility.

These trends are reinforced by a decline in the appeal of equity partnership, once regarded as a key aspiration of junior lawyers. Under traditional partnership remuneration structures, once equity partnership had been conferred, each year would confer a greater share of profits irrespective of actual personal performance. This traditional equity partnership model has come under pressure in recent years due to the following factors:

- Partnership remuneration structures have been reviewed and profit share is now increasingly linked to results and personal performance.
- The cost of buying into partnerships is high and reduced profits in conventional mid-market law firms have meant that the return on equity invested is no longer as attractive as it was. Furthermore, with several high profile law firm insolvencies in recent years and the associated equity losses and personal liabilities for the equity partners involved, partnership of a mid-market law firm is no longer necessarily regarded as a secure investment.
- Prior to the Legal Services Act 2007, equity partnership was the only basis on which a lawyer could access the highest level of remuneration within a law firm. The Legal Services Act 2007 has allowed the development of alternative business models for the delivery of legal services, with experienced lawyers now able to practise law outside of traditional equity partnership structures whilst earning a commensurate level of remuneration.

#### **4.3 Growth Opportunity**

The Directors believe that the combined effect of the above changes has created a significant number of dissatisfied experienced lawyers in conventional mid-market firms who wish to find better ways to service their clients, while maintaining or increasing their own remuneration. Keystone's model has been designed to allow such lawyers to achieve this, whilst also removing the challenges and frustrations from a traditional law firm model.

Whilst various new business models have been introduced to the UK legal market, most have been developed to address specific niche areas (e.g. in-house contract lawyers, contract project based teams to support a particular transaction, online legal services companies to address basic commoditised services).

The Directors believe that Keystone's platform model offers lawyers the best opportunity to continue to develop their practices and deliver the full range of conventional legal services to their clients outside of the

traditional law firm structure, whilst still being well remunerated and receiving full professional recognition from their peers. It is this model which makes Keystone a significant challenger in the mid-market for legal services.

The Directors believe that Keystone was one of the first to establish this model and, as such, has early mover advantage over other businesses which have started to emerge and sought to replicate the Company's growth and performance through the operation of similar business models.

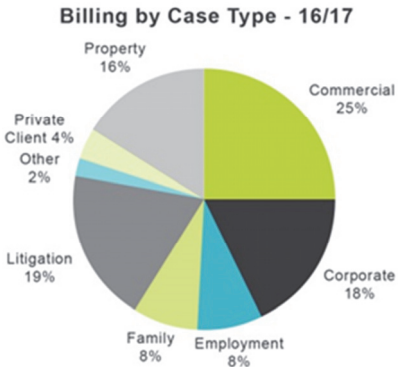
The Directors are currently aware of at least 20 other such firms (none of which was included in The Lawyer UK Top 200 2017 rankings), with approximately 800 consultant lawyers in aggregate. Examples of such firms (with their dates of establishment) include Excello Law (2007), Gunnercooke (2010), Temple Bright (2010), Setfords (2011) and Fletcher Day (2013).

Whilst Keystone is widely considered the market leader amongst these firms (as evidenced by the fact that it is the only one to be placed in The UK Top 100), the Directors believe that the Group's opportunity exists across the entire mid-market, as Keystone's lawyers typically join from the conventional firms operating in this segment of the market.

**5. Business Overview**

**5.1 Overview of Activities**

Keystone is a networked law firm providing conventional legal services across most areas of the law (although intentionally not covering high volume low value personal injury or property conveyancing) to a client base predominantly comprising SMEs and private individuals. The figure below summarises Keystone's revenue split across its eight practice areas in the year ended 31 January 2017, with a high number of specialisms within each area:



With over 250 senior lawyers, Keystone offers a comprehensive service across all of its practice areas and knowledge and experience in over 50 sectors. Furthermore, the nature of the Keystone model enables this breadth and depth of experience to continue to increase, with newly joined lawyers adding to Keystone's offering. This diversity across such a broad range of areas, sectors, clients and lawyers makes Keystone's revenue robust and sustainable.

Keystone is authorised by the Solicitors Regulatory Authority ("**SRA**") to provide legal services in England and Wales. Keystone has also recently established a presence in the Isle of Man and Northern Ireland. Due to regulatory requirements in those jurisdictions, the latter two are structured differently from England and Wales, however, profits generated by lawyers in these locations are still retained by Keystone.

Keystone has, since 2014, also held a minority interest in Keypoint Law, the first Australian law firm to use the Keystone platform model.

**5.2 Keystone's Platform Model**

What differentiates Keystone from conventional law firms and is central to its success is its delivery of legal services through its distinctive platform model. This model is comprised of three principal components:

### *Lawyers' status and remuneration*

Unlike a conventional law firm, Keystone's lawyers are self-employed, contracting with Keystone, predominantly through personal service companies and working from their own offices. Keystone itself contracts with the clients and is responsible for delivering the legal services to them, through the consultant lawyers. This differentiates Keystone from some other challenger firms which act purely as an agency for placing contract lawyers either in-house or with other law firms.

Lawyer remuneration at Keystone is calculated with reference to fee income billed to clients, with 15 per cent. of each invoice paid to the lawyer who is responsible for the client relationship (i.e. the person who has generated the work) and 60 per cent. to the lawyer undertaking the work. As such, for self-generated work, a lawyer can earn up to 75 per cent. of the fees billed and paid by the client.

This mechanism is consistently applied across the business, fairly rewarding lawyers for their work. Furthermore, the clear attribution of value to the role of the business developer incentivises lawyers to cross refer work to their colleagues, as in 2017 so far, approximately 30 per cent. of work billed at Keystone was cross-referred from one lawyer to another.

The Directors believe that this provides a consistent, transparent and competitive remuneration structure for Keystone's lawyers. As the lawyer receives no fixed remuneration (with the exception of Keystone's small team of trainees, and a newly qualified solicitor who provide services to support the lawyers), Keystone has no fixed direct costs associated with the provision of its legal services. The remuneration structure also provides Keystone with very strong visibility over its gross margin. Another differentiator from many conventional firms is the lack of significant overhead associated with office space as the lawyers operate from their own offices. This enables the business to scale rapidly with limited additional funding requirements, particularly as each lawyer or group of lawyers that joins receives no remuneration until the work undertaken has been billed and Keystone has been paid.

### *Central Office – a shared services centre*

Keystone's lawyers are fully supported with a comprehensive range of services from its shared service centre, known internally as 'central office', located at the Company's head office on Chancery Lane. Central office provides lawyers with everything required to service the Group's clients, treating the lawyers as if they were clients rather than cost centres and delivering a high quality and responsive service. This is viewed by Keystone's lawyers, whom have typically worked their entire professional lives prior to joining Keystone in conventional law firms, as a superior experience.

Commentary on some of these central office services is set out below:

#### IT

Keystone's IT environment has been specifically designed to support a networked law firm, with programs, networks and connectivity devised for this model. First line support is available for lawyers 24/7 through an outsourced IT support company with dedicated resource for Keystone. This is further bolstered by resources in central office with extensive knowledge of Keystone's systems from the user perspective and a team that is on hand to offer training and support for new joiners and existing users.

#### Finance

Keystone provides support to its lawyers in areas such as client and matter inception and anti-money laundering / know-your-client vetting and checking, client invoicing, credit control, client money movements and ensuring compliance with SRA client money rules.

#### Marketing

Keystone supports its lawyers on business development initiatives, writing bids and tenders for individual and groups of lawyers and driving brand awareness across all media channels.

#### Networking, social events and Continuing Professional Development

Significant focus is placed on bringing the lawyers together to ensure that they feel part of Keystone and are well connected to their fellow colleagues and central office. To that end, Keystone runs monthly events

which often combine professional development with social events, providing a regular platform for lawyers across the business to meet their colleagues and networking opportunities. The success of these events is reflected in the high level of attendance and the high level of work cross-referred within the business as a result of this interaction between the lawyers.

#### Risk management and Compliance support

The Group take a pro-active approach to risk management which starts at the strategic level with the Board identifying areas of the law in which it will not operate due to its risk profile. Following this, the recruitment process, involving various members of the senior management team, themselves qualified and experienced solicitors, focuses on attracting experienced and well qualified lawyers, thereby reducing the risk profile of the lawyer base.

All aspects of risk, complaints management and compliance are controlled and supervised by the central employed team which is led by William Robins, Operations Director and the Group's Compliance Officer. Whilst the SRA has approved Keystone Law's supervision and management processes, because Keystone's lawyers work in their own offices rather than a central Keystone office, there is a risk that Keystone lawyers may not follow the Group's policies and procedures. Attention is drawn to the Risk Factor headed "Litigation, professional liability and uninsured risks" holdings in Part II of this document. The risk management approach taken is prevention rather than cure with the focus being on identifying potential issues before they materialise.

The Group uses systems to focus the efforts of this experienced team of lawyers. Each new matter which is taken on requires the lawyer to complete a risk questionnaire which risk rates the matter. Any matter which scores as a higher risk matter is then automatically escalated to the compliance team who then speak to the lawyer handling the matter to further understand the risk. Based on this dialogue the compliance team and the lawyer will agree which additional controls will be appropriate for the handling of this matter and they are implemented.

On a quarterly basis there is a review of any high risk matters which involved reviewing the original issues and controls to assess their current appropriateness, together with any new facts or developments on the matter. Depending on the outcome of such review controls are amended to match any changes in the situation. The Group also uses a system of peer review when appropriate, such as when giving legal opinions or in high risk matters. Otherwise, reviews are undertaken, when necessary, by the compliance team.

On an ad hoc basis, lawyers regularly contact the compliance team to discuss issues which they encounter in order to plan how best to manage potential issues or challenges as they arise.

Furthermore, the compliance team:

- provides the professional expertise to resolve matters which may arise from time to time and ensuring compliance with the multiple legal requirements covering a practising lawyer;
- deals with client complaints and resolving disputes which may arise from time to time; and
- takes responsibility for ensuring that, as a law firm, the Group satisfies the requirements of the SRA through the implementation of appropriate policies and procedures.

#### Provision of paralegal/junior support

The Group directly employs five trainees and one newly qualified lawyer to support Keystone's lawyers. They are charged out to the relevant client, with the lawyer receiving 15 per cent. of the fees generated as the client owner. This enables the more experienced lawyers to leverage their time by using junior staff for basic work, freeing up their own time for more complex aspects.

#### Provision of professional indemnity insurance

Keystone Law (the SRA-regulated entity delivering legal services to clients) has a professional indemnity policy with a £30 million total limit covering the work of all of the Group's lawyers.

In addition to the above, central office provides administrative support to the Group's lawyers in areas such as document formatting, bundle preparation and dealing with post. Central office also provides hot-desking facilities and meeting room space in Chancery Lane and can arrange meeting rooms elsewhere as required.

### *Keyed In*

Keyed In is the proprietary software that provides the platform central to Keystone's model of the networked law firm. Keyed In's multiple functionality provides lawyers with:

- the tool by which they can carry out all administrative aspects of their work (client and matter inception, invoicing, instructing money movements etc.);
- the place where they can record their time against client matters;
- financial information about the matters they are dealing with; and
- the means to view their own income performance.

Keyed In also provides the "**Knowledge Hub**" for Keystone.

Keyed In has been designed and developed over a number of years specifically for use by the Group's lawyers and, as such, is user friendly whilst capturing all essential data. Keyed In's integration with other systems used by the Group enables full automation of tasks such as invoicing, credit control and client money movements which, in turn, makes the Keystone model highly scalable. Lawyers capture client and related data which is then automatically populated in other systems in the business, reducing the need for manual intervention to a minimum level (to ensure quality control), meaning in turn that central office does not need to scale at the same rate as new lawyers join and leading to enhanced margins as the business grows.

A new version of Keyed In went live in September 2017. This version has been built on some of the most popular open source products which are widely recognised as being "best-in-class". This version has built on the firm's existing knowledge and experience to deliver a fully mobile and scalable platform capable of underpinning the Group's future plans. As such the Directors do not anticipate any need for significant IT development spend over the short to medium term.

### *Summary*

The Directors believe that these aspects of Keystone's model mean that the business is highly scalable and cash generative, with negligible fixed direct costs and the capability to generate enhanced profit margins as the business grows the number of lawyers with average billing of approximately £150,000 per annum.

## **5.3 Lawyers and Recruitment**

### *The Keystone Lawyer*

As Keystone pays no fixed remuneration, it has the flexibility to work successfully with a wide range of lawyers, from those wishing to build a larger practice, which may include employing juniors within their own service company, to those wishing to continue practising the law whilst also pursuing other business or personal interests.

Keystone also recruits lawyers across a wide range of sectors and specialisms, provided the relevant lawyer is experienced in delivering legal services which complement or enhance Keystone's service offering.

In terms of age and experience, Keystone generally recruits senior associates or junior partners from other UK mid-market firms. The average lawyer age is 50 (46 for lawyers recruited over the previous 12 months).

Whilst there are some junior Keystone lawyers, these generally do not contract directly with the Group but are employed within the personal service companies of more experienced lawyers who wish to leverage their time and grow their practices. All employees of a lawyer's service company do, however, enter into a compliance agreement with Keystone, with the Group having the right to veto the recruitment of any such lawyer.



*Recruitment – sourcing candidates*

Commentary on the three key channels through which Keystone recruits its lawyers is set out below.

**Direct**

Keystone has an extremely active marketing department which runs focused recruitment campaigns, predominantly across social media channels targeting senior associates and junior partners. Keystone also has a dedicated recruitment website ([www.lawsetfree.com](http://www.lawsetfree.com)), separate from its corporate website and launched in tandem with an award-winning recruitment campaign in 2014/15 with the tag line ‘Set law free’. The website includes information about the firm, testimonies provided by current lawyers and a ‘lawyer lifestyle calculator’ tool, helping lawyers to assess the remuneration that they could receive and how their lives could be different working for Keystone. This channel accounted for 53 per cent. of Keystone’s joiners in the 32 months ended 30 September 2017.

**Lawyer referrals**

The Directors believe that Keystone’s proposition is highly compelling, as demonstrated by the fact that many of its lawyers actively refer friends and former colleagues to the Group. In the 32 months ended 30 September 2017, 33 per cent. of lawyers who joined Keystone were originally introduced by a Keystone lawyer.

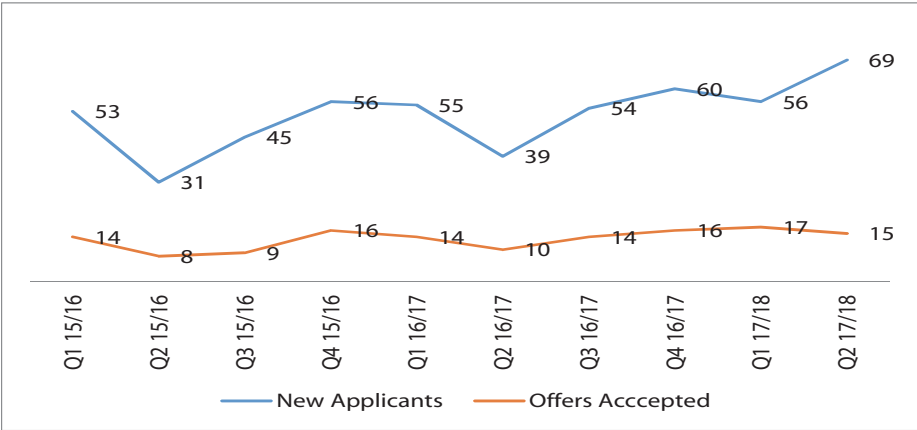
**Recruitment agencies**

Keystone has active relationships with a number of agencies that introduce candidates to the Group. This channel accounted for 14 per cent. of lawyers joining Keystone in the 32 months ended 30 September 2017.

The average cost of recruitment per lawyer across these three channels in the year ended 31 January 2017 was approximately £7,000. The Directors believe that this compares favourably with the average recruitment cost of most traditional mid-market law firm models.

*Recruitment – process*

The recruitment pipeline is managed and tracked constantly, with weekly reporting being produced for the management team. The Group received 20 new applications per month on average during the first half of 2017/18 (up from 17 per month for the year ended 31 January 2017):



All applications are reviewed by Mark Machray as Head of Recruitment, with those invited forward undergoing a thorough interview process involving Mark and other members of the senior management team. Over the 32 months ended 30 September 2017, on average, 28 per cent. of applicants joined the firm. Conversion rates vary across channels, with lawyers referred by Keystone lawyers having converted at a rate of 42 per cent., direct recruits 31 per cent. and agency introduced candidates 12 per cent. in the same period.

### *Post-recruitment performance monitoring*

Once lawyers have joined Keystone, there is an on-boarding programme to help lawyers integrate into the firm. As part of this process, each lawyer has a three month and six month formal review with William Robins (Operations Director) to establish progress made and understand what, if any, further assistance is needed.

Approximately ten per cent. of those recruited are not able to successfully bring their client base with them and therefore leave, typically within the first twelve months. However, once lawyers are successfully on board, they rarely depart. This is demonstrated by the fact that, once successfully on board, on average only five per cent. of the lawyer base leaves each year and a significant number of those that do are due to retirement.

Billing statistics produced on a daily basis are shared amongst the management team, and provide a basis to measure how each lawyer is performing and identify where any further assistance or action may be required.

### **5.4 Clients**

Keystone's clients are predominantly SMEs and private individuals. Due to the way in which Keystone grows, i.e. lawyer recruitment with clients following, the client base is extremely diverse, with no single client representing more than two per cent. of aggregate revenue across the three years ended 31 January 2017.

The key benefits of Keystone's platform model from a client's perspective include the delivery of legal services by experienced lawyers that are responsive, free from the distractions of wider managerial responsibility, and motivated as no income is received until Keystone has been paid.

Furthermore, lawyers have the discretion and flexibility to agree pricing solutions and mechanisms with their clients without the need for internal approval, resulting in clients receiving a competitive price for the work and a commercial structuring of the fee. This flexibility and the other features of Keystone's model ensures that the client receives a bespoke and attentive service.

### **5.5 Group structure**

Keystone is the holding company of the Group. Keystone Law is the Group's principal trading company. Keystone holds 100 per cent. of Keystone Law's issued share capital. Keystone Law in turn holds 100 per cent. of dormant company Keystone Law (Guernsey) Limited. Further details of Keystone's share capital and its current shareholders are set out in paragraph 5 of Part V of this document.

Keystone also holds 14 per cent. of the issued share capital of Keypoint Law.

## **6. Growth Strategy**

As highlighted above, the key driver to Keystone's growth has been the recruitment of experienced lawyers with client followings. Given the high growth rate achieved, the Board intends to continue executing this organic growth strategy through further lawyer recruitment. To that end, the Board firmly believes that Admission will further enhance the Keystone brand, thus reinforcing the Group's ongoing recruitment activity and making the Group even more attractive to experienced lawyers in the UK.

With the UK and, within the UK, England and Wales in particular representing such a considerable market for legal services, the focus of the Group will continue to be primarily on this jurisdiction.

That said, as in recent years (when Keystone has established a presence in the Isle of Man and Northern Ireland), Keystone will also continue to explore opportunities in overseas territories, adapting its model as appropriate to satisfy regulatory requirements within each jurisdiction. In the short term, the Group's focus will continue to be on organic growth. Longer term, the Board believes that suitable acquisitions of smaller businesses, with similar business models but strengths either in specific geographical or niche legal practice areas, may present options to accelerate growth further. Such opportunities would be considered on their individual merits at the appropriate time.



## 7. Historical Trading

The following financial information for the Company for the years ended 31 January 2015 to 31 January 2017 and the six months ended 31 July 2016 and 31 July 2017 has been derived from the financial information contained in Parts III and IV of this document and should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information set out below.

	<i>Year ended 31 January 2015 Audited £000</i>	<i>Year ended 31 January 2016 Audited £000</i>	<i>Year ended 31 January 2017 Audited £000</i>	<i>6 months ended 31 July 2016 Unaudited £'000</i>	<i>6 months ended 31 July 2017 Unaudited £000</i>
Revenue	16,126	20,890	25,559	12,400	15,348
Gross profit	4,178	5,300	6,565	3,197	4,164
Gross margin	25.9%	25.4%	25.7%	25.8%	27.1%
Underlying EBITDA <sup>1</sup>	1,021	1,662	2,291	1,221	1,685
Underlying EBITDA margin	6.3%	8.0%	9.0%	9.8%	11.0%
EBITDA	826	1,662	2,070	1,221	1,685
EBITDA margin	5.1%	8.0%	8.1%	9.8%	11.0%
Operating profit	697	1,282	1,684	1,030	1,495
Net cash flow from operating activities	151	953	1,203	681	1,173
Net assets	41	591	1,459	n/a	2,465

<sup>1</sup> During the year ended 31 January 2015, as disclosed in note 5 to the consolidated historical financial information of the Group on page 48 of Part III of this document, the Company incurred transaction costs of approximately £195,000 associated with the acquisition of Keystone Law. Underlying EBITDA for that year is therefore calculated as the sum of EBITDA and these transaction costs.

During the year ended 31 January 2017, the Group relocated to a new head office and recognised the following non-recurring items within administrative expenses in relation to its old leasehold premises: (i) a dilapidations provision of £75,000 upon termination of the lease, as disclosed in note 21 to the consolidated historical financial information on page 57 of Part III; (ii) £134,000 of rental costs between the date of relocation and date of expiry of the lease; and (iii) an onerous lease provision of £13,000. Underlying EBITDA for that year is therefore calculated as the sum of EBITDA and items (i) to (iii).

## 8. Current Trading and Prospects

Save as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 31 July 2017, being the date to which the unaudited interim financial information in Part IV has been prepared. Trading for the period from 31 July 2017 to the date of this document was consistent with the Board's expectations.

## 9. Directors and Senior Management

### 9.1 Directors

The following table lists the names, age, positions and dates of appointment as a director for each Director:

<i>Name</i>	<i>Age</i>	<i>Position</i>	<i>Date appointed</i>
James David Knight	50	Chief Executive Officer	17 October 2014
Ashley Rupert James Patrick Miller	45	Finance Director	24 February 2015
Simon Robert Maury Philips	49	Non-executive Director	6 August 2014
Robin George Walton Williams	60	Non-executive Chairman	26 October 2017
Peter Frederick Whiting	51	Non-executive Director	26 October 2017

The business address of all of the Directors is 48 Chancery Lane, London WC2A 1JF.

The management expertise and experience of each of the Directors is set out below:

*James Knight – Founder and Chief Executive Officer, age 50*

James founded Keystone in 2002 when he set out to create a new type of law firm. Prior to that James had a 10 year career as a commercial solicitor in London, Hong Kong and Dubai. James now focuses on business development, marketing, international opportunities and other drivers of growth.

*Ashley Miller – Finance Director, age 45*

Ashley joined Keystone in January 2015 following the investment by Root Capital in the business. Ashley is a finance professional with over 20 years' experience. Having trained with Price Waterhouse, Ashley has spent his career establishing and managing international finance departments for SME businesses operating across the professional services sector.

*Robin Williams – Independent Non-executive Chairman, age 60*

Robin is currently chairman of Xaar plc, the digital inkjet technology developer and, until March 2018, of NHS Professionals Ltd. He has recently been appointed non-executive chairman at FIH Group plc and is a non-executive director of Van Elle plc, where he also chairs the audit committee. He is an engineering graduate and qualified chartered accountant with over 30 years' experience with listed companies, initially as an adviser and then as a CEO and co-founder of Britton Group plc and then as an executive director of Hepworth plc, the building materials business.

*Simon Philips – Non-executive Director, age 49*

Simon is managing partner of Root Capital LLP, general partner of the Root Capital Fund II Limited Partnership, and he is also a limited partner in Root Capital Fund II Limited Partnership. He is an experienced entrepreneur in the software and outsourcing sectors and has considerable expertise in both operational management and deal structuring. Simon is currently Chairman of a number of businesses in which Root Capital have invested and has been Non-Executive Chairman of the Keystone Board since the investment by Root Capital in 2014, and has reverted to being a non-executive Director of the Company following Robin Williams' appointment as Independent Non-executive Chairman.

*Peter Whiting – Independent Non-executive Director, age 51*

Peter has over 20 years' experience as an investment analyst, specialising in the software and IT services sector. He joined UBS in 2000, led the UK small and mid-cap research team and was Chief Operating Officer of UBS European Equity Research from 2007 to 2011. Peter is also a non-executive director, senior independent director and chair of remuneration committee of both Microgen plc and FDM Group (Holdings) plc, having joined the Boards of those companies in 2012 and 2014 respectively.

## **9.2 Senior management**

The Company's Senior Managers, in addition to the Executive Directors listed above, are as follows:

*William Robins – Operations Director, age 40*

William joined Keystone in 2009. As Operations Director he is responsible for the firm's regulatory compliance and legal procedures. Prior to joining Keystone he practised as a corporate lawyer in a City firm.

*Mark Machray – Head of Recruitment, age 44*

Mark joined Keystone in 2010, originally as a consultant solicitor and subsequently in the capacity of business development and then head of recruitment.

*Maurice Tunney – IT Director, age 44*

Maurice joined Keystone in October 2014. He is an IT professional with over 20 years' experience, 15 of those garnered within well-known law firms. Maurice has managed multinational, multi-jurisdictional teams and projects to deliver efficiencies at all levels of the business.

*Kristina Oliver – Marketing Director, age 34*

Kristina joined Keystone in July 2013. She has over 15 years' experience working with law firms, entrepreneurial organisations and well known consumer brands and since joining Keystone she has built an award winning marketing team.

## **10. Management incentives**

The Board recognises the importance of ensuring that the management and employees of the Group are effectively and appropriately incentivised and their interests aligned with those of the Group. The ongoing success of the Group depends to a high degree on retaining and incentivising the performance of key members of senior management. To that end, the Board is considering the implementation of appropriate share-based incentive plans following Admission. The Board intends to establish an Employee Benefit Trust which would periodically make on-market purchases of Shares in order to satisfy awards made pursuant to any such share incentive arrangements.

## **11. Reasons for Admission, the Placing and use of Proceeds**

The Directors believe that the Admission will be an important step in the Group's development. They believe that it will strengthen brand recognition, reinforcing the Group's recruitment strategy and lend further credibility to its offering to both clients and lawyers, thereby enhancing the Group's future growth potential. Furthermore, Admission will grant access to future capital should suitable acquisition or other opportunities present themselves.

On Admission the Company will have 31,273,941 Shares in issue and a market capitalisation at the Placing Price of approximately £50.0 million. Panmure Gordon has agreed, pursuant to the Placing Agreement and conditional, *inter alia*, on Admission, to use its reasonable endeavours to place 5,854,534 New Shares with institutional and other investors. The New Shares will represent approximately 18.7 per cent. of the Enlarged Share Capital. The Company has also received Subscription Letters from the Subscribers, wherein they have agreed to subscribe for the Subscription Shares which will raise approximately £0.6 million (before expenses) for the Company.

The Placing and Subscription will raise in total approximately £10.0 million gross for the Company. The Group plans to apply the net proceeds, being approximately £9.0 million, primarily to paying down the outstanding amount of the Loan Notes held by certain of Keystone's existing shareholders totalling approximately £7.4 million such that the Group will be debt-free following Admission.

Panmure Gordon has also agreed pursuant to the Selling Shareholders' Agreement and conditional, *inter alia*, on Admission, to use its reasonable endeavours to place 3,125,000 Sale Shares on behalf of the Selling Shareholders with institutional or other investors. The proceeds of the Placing of the Sale Shares will not be receivable by the Company. The Placing of the Sale Shares will raise approximately £5.0 million (before expenses) for the Selling Shareholders.

Further details of the Loan Notes and the instrument by which they were constituted can be found in paragraph 10.8 of Part V of this document.

The Placing, which is not being underwritten, is conditional, *inter alia*, upon:

- each of the Placing Agreement and the Selling Shareholders' Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission; and
- Admission becoming effective not later than 27 November 2017, or such later date as Panmure Gordon and the Company may agree, being not later than 4 December 2017.

The New Shares and the Subscription Shares will rank *pari passu* in all respects with the Shares including the right to receive all dividends and other distributions declared, paid or made after the date of issue. None of the Placing Shares nor Subscription Shares have been marketed to or will be made available in whole or in part to the public in conjunction with the application for Admission.

Further details of the Placing Agreement and the Selling Shareholders' Agreement are set out in paragraphs 8 and 9 of Part V of this document.

## **12. Dividend Policy**

The Board intends to declare a dividend of an amount yet to be determined in relation to the period between Admission and 31 January 2018, to be announced with the final results for the year ending 31 January 2018. The Directors then intend that the Group will pay an interim dividend and a final dividend to be announced at the time of the interim and preliminary results in approximate proportions of one-third and two-thirds, respectively, of the total annual dividend.

For the year ending 31 January 2019 it is the Board's intention, subject to the availability of distributable reserves and where the cash flow requirements of the Company mean it is prudent to do so, to pay as dividends an amount up to two thirds of adjusted profits after tax.

Thereafter, the Board intends to adopt a progressive dividend policy to reflect the expectation of future cash flow generation and long-term earnings potential of the Group. The Board may, however, revise the Group's dividend policy from time to time in line with the actual results of the Group.

## **13. Corporate governance**

The Directors acknowledge the importance of high standards of corporate governance and intend, given the Company's size and the constitution of the Board, to comply with the principles set out in the QCA Code. The QCA Code sets out a standard of minimum best practice for small and mid-size quoted companies, particularly AIM companies.

Upon Admission, the Board will comprise five Directors, two of whom shall be Executive Directors and three of whom shall be Non-executive Directors (of which two are independent Non-executive Directors), reflecting a blend of different experiences and backgrounds. The Board believes that the composition of the Board brings a desirable range of skills and experience in light of the Company's challenges and opportunities following Admission, while at the same time ensuring that no individual (or a small group of individuals) can dominate the Board's decision making.

The Board intends to meet regularly to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals. The Company has established an Audit Committee and a Remuneration Committee with formally delegated duties and responsibilities and with written terms of reference. Each of these committees will meet regularly and at least two times a year. On Admission, the Company will not adhere to all of the recommendations of the QCA Code as there will not be a separate nomination committee. The Board will consider all recommendations for appointment to the Board. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises. The Board will undertake those functions normally associated with a nomination committee.

### ***Audit Committee***

The Audit Committee will have the primary responsibility of monitoring the quality of internal controls to ensure that the financial performance of the Group is properly measured and reported on. It will receive and review reports from the Group's management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee will meet not less than twice in each financial year and will have unrestricted access to the Group's external auditors. The Audit Committee comprises at least two members of whom both shall be independent non-executive directors and one shall have recent and relevant financial experience with competence in accounting or auditing. Where possible, one member will be a member of the remuneration committee. The chairman of the Audit Committee is appointed by the Board. The chairman of the Audit Committee on Admission will be Peter Whiting and its other members will be Robin Williams and Simon Philips.

### ***Remuneration Committee***

The Remuneration Committee will review the performance of the Executive Directors and make recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee will also make 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 will meet as and when necessary, but

at least twice each year. In exercising this role, the Directors shall have regard to the recommendations put forward in the QCA Code and, where appropriate, the QCA Remuneration Committee Guide and associated guidance. The Remuneration Committee comprises at least two independent non-executive directors and is chaired by a non-executive director who is appointed by the Board in consultation with the two independent non-executive directors. The chairman of the Board shall not be the chairman of the committee. The chairman of the Remuneration Committee on Admission will be Simon Philips and its other members will be Robin Williams and Peter Whiting.

#### **14. Share dealing policy**

The Company has adopted a MAR compliant share dealing policy regulating trading and confidentiality of inside information for persons discharging managerial responsibility (PDMRs) and persons closely associated with them (PCAs) which contains provisions appropriate for a company whose shares are admitted to trading on AIM and in conformity with Rule 21 of the AIM Rules for Companies. The Company takes all reasonable steps to ensure compliance by PDMRs and any applicable employees with the terms of that share dealing policy.

#### **15. Admission, Settlement and Dealings**

Application has been made to the London Stock Exchange for the Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Shares will commence on 27 November 2017. The Shares will be in registered form and will be capable of being held in either certificated or uncertificated form. The Articles permit the Company to issue Shares in uncertificated form in accordance with the CREST Regulations. CREST is a computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic form rather than paper form, although a shareholder can continue dealing based on share certificates and notarial deeds of transfer.

The ISIN number of the Shares is GB00BZ020557. The LEI is 213800RTARHELL51S215.

#### **16. Taxation**

Your attention is drawn to the taxation section contained in paragraph 14 of Part V of this document. If you are in any doubt as to your tax position, you should consult your own independent financial adviser immediately.

#### **17. The Takeover Code**

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of interests in Shares were to increase the aggregate holding of the acquirer and its concert parties to interests in Shares carrying 30 per cent or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Panel) to make a cash offer for the outstanding Shares at a price not less than the highest price paid for interests in Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered when, except with the consent of the Panel, any person (together with persons acting in concert with him) who is interested in Shares which carry not less than 30 per cent of the voting rights of the Company but does not hold Shares carrying more than 50 per cent of such voting rights, and such person (or person acting in concert with him) acquires any other Shares which increases the percentage of Shares carrying voting rights in which he is interested.

For the purpose of Rule 9 of the Takeover Code, the Panel has confirmed that it considers Charles Stringer and James Knight (the "**Concert Party**") to be acting in concert by virtue of paragraph (9) of the definition of 'acting in concert' in the Takeover Code (which creates a presumption that shareholders in a private company who, following the re-registration of that company as a public company, become shareholders in a company to which the Takeover Code applies, are acting in concert). Following Admission, the Concert Party will control approximately 39.6 per cent. of voting rights of the Company.

Further information on the provisions of the Takeover Code can be found in paragraph 15 of Part V (Additional Information) of this document.

## **18. Risk Factors**

Prospective investors should consider carefully the risk factors described in the section headed "Risk Factors" and set out in Part II of this document in addition to the other information set out in this document and their own circumstances, before deciding to invest in Shares.

## **19. Regulatory and Compliance**

Under the Legal Services Act 2007, there are restrictions on certain persons (broadly, being non-lawyers who have not been approved by the SRA) on the holding of 'restricted interests' in Licensed Body law firms. A restricted interest for the purposes of these restrictions is an interest of 10 per cent. or more in the issued share capital of the Licensed Body and includes an interest in the ultimate parent company of the Licensed Body, i.e. Keystone. Keystone Law is currently a Licensed Body.

Attention is drawn to the Risk Factor headed "Restrictions on holdings" in Part II of this document for a further summary of the effect of these restrictions.

Prospective investors should consider these restrictions carefully as failure to notify the SRA in the circumstances described in that risk factor may result in a criminal offence.

In a recent court case (*Bernard Sports Surfaces Ltd v Astrosoccer4u Ltd*), the judge presiding over the court case made certain comments about the conduct of Keystone, having been shown emails from a Keystone lawyer regarding advice that lawyer had given to Astrosoccer4u Ltd.

This included comments as to whether there was an intention to abuse the insolvency process, whether it was a breach of the rules relating to the proper conduct of solicitors and also whether there was connivance.

When the judgment was released, Keystone commenced an internal review and in accordance with its internal procedures and SRA requirements Keystone also informed the SRA on 9 October 2017.

Keystone subsequently received a letter from the SRA, stating that the SRA wanted to review the report and "to consider the next steps". The SRA confirmed that it was aiming to contact Keystone by 12 November 2017 to let Keystone know what the SRA wished to do with this matter, and, as at the date of this document, there has been no further contact from the SRA.

From time to time, Keystone, as with other law firms, has matters being reviewed by the SRA.

Attention is drawn to the Risk Factor headed "Employee and consultant lawyer misconduct" in Part II of this document for a further summary of this matter.

## **20. Further information**

You should read the whole of this document, which provides additional information on the Group and the Placing, and not just rely on the information contained in this Part I. In particular, your attention is drawn to the risk factors in Part II of this document and the additional information contained in Part V of this document.



## **PART II:**

### **RISK FACTORS**

*Investing in and holding Shares involves financial risk. Prospective investors in the Shares should carefully review all of the information contained in this document and should pay particular attention to the following risks associated with an investment in the Shares, the Group's business and the industry in which it participates.*

*The risks and uncertainties described below are not an exhaustive list and do not necessarily comprise all, or explain all, of the risks associated with the Group and the industry in which it participates or an investment in the Shares. They comprise the material risks and uncertainties in this regard that are known to the Company and should be used as guidance only. Additional risks and uncertainties relating to the Group and/or the Shares that are not currently known to the Company, or which the Company currently deems immaterial, may arise or become (individually or collectively) material in the future, and may have a material adverse effect on the Group's business, results of operations, financial condition and prospects. If any such risk or risks should occur, the price of the Shares may decline and investors could lose part or all of their investment. Prospective investors should consider carefully whether an investment in the Shares is suitable for them in the light of the information in this document and their personal circumstances.*

#### **RISKS RELATING TO THE GROUP'S BUSINESS AND THE INDUSTRY IN WHICH IT OPERATES**

##### ***Litigation, professional liability and uninsured risks***

Whilst the Group has taken, and intends to continue to take, such precautions as it regards appropriate to avoid or minimise the likelihood of any legal proceedings or claims, or any resulting financial loss to the Group, the Directors cannot preclude the possibility of such claims or proceedings being brought against the Group.

Due to the nature of a law firm and its role of providing legal advice, the Group remains susceptible to potential liability for negligence, breach of contract and other client claims. From time to time in the ordinary course of business Keystone receives claims of professional negligence which it notifies to its insurers. Any potential claim may be expensive to defend, divert the time and focus of management away from the Group's operations and may result in the Group having to pay substantial monetary amounts, any of which could impact on the reputation of the Group and result in a material adverse effect on Keystone's business and overall financial condition.

Whilst the SRA has approved Keystone Law's supervision and management processes, because Keystone's lawyers work in their own offices rather than a central Keystone office, there is a risk that Keystone lawyers may not follow the Group's policies and procedures. Keystone Law is responsible for delivery of the services to the client and supervision of the lawyer concerned, and any resulting claims for negligence are the responsibility of Keystone Law.

Accordingly, this may expose the Group to legal claims and/or regulatory review, which may have a material adverse effect on Keystone's business and financial position.

Keystone is required to carry professional liability insurance, however, this is not exhaustive and the level of insurance remains capped. Whilst the Directors are of the opinion that the Group has a good claims history and that the £30 million cap is adequate for the foreseeable future (that is, at least twelve months from the date of this document), the level of insurance may not be sufficient to indemnify the Company of every risk of liability, specifically if there is a high level of claims from time to time, or the level of quantum of a particular claim or claims is such to increase the cost of insurance. Therefore, there can be no assurance that the insurance will always be adequate to deal with the claim at hand, that the Group will be able to obtain appropriate insurance or that the annual premium or level of excess on each claim will remain at the current rates. In addition, a high number of claims could increase the level of annual premium. Any liability, excess or legal defences not covered by the Group's insurance may have a materially adverse effect on Keystone's business operation and overall financial condition.

## ***Personnel***

For any business, personnel is a particularly prominent asset heavily contributing to its strength and attractiveness. The Group is heavily reliant on its lawyers to attract new clients and also maintain relationships with existing clients. If the Group were to lose the services of key lawyers with high client retention rates, or cease to be able to attract new lawyers, this could significantly impair the strategy and success of the firm from both a reputational and financial standpoint resulting in a material adverse effect on Keystone's business operations and financial condition.

## ***Revenue growth is largely reliant on recruiting new lawyers***

Recruitment of new lawyers is an important driver of revenue growth for the Group. Delays in recruitment of new lawyers and/or a reduction in the level of recruitment of new lawyers could have a significant impact on the Group's performance. There is consistently a lead time between recruiting a lawyer and that lawyer generating revenue which the Group seeks to accelerate through an onboarding plan, but there is a risk that new lawyers may require substantial time in order to start generating fee income.

Furthermore, whilst Keystone has achieved substantial growth in revenues and profits in recent years, this growth is substantially derived from the recruitment of new lawyers. There can be no assurance that the Group will be able to continue this growth, either as a result of recruiting new lawyers or otherwise, to maintain its financial performance either at historical or anticipated future levels.

## ***Contractual arrangements with lawyers***

Keystone's lawyers are self-employed, contracting with the Group predominantly via personal services companies. The self-employed status of the Group's consultants is based not only on the contractual structure but also on the way in which the arrangements operate in practice. There is a risk that some of Keystone's consultant lawyers may be deemed to be workers or employees, and as such, would be entitled to additional rights including, but not limited to, paid annual leave and sick pay. If this were to occur, then in addition to the rights for workers, such lawyers would gain rights to unfair dismissal. If Keystone's consultant lawyers were deemed to be employees, then the tax treatment would be different and the Group would be liable for PAYE and national insurance contributions for such people deemed to be employees and this would be likely to have a material adverse effect on the Group's financial performance and position.

Furthermore, if there is a change in employment or tax law which means that the nature of the relationship which exists between the Group and its lawyers is not one of self-employment, this would be likely to have a material adverse effect on the Group's financial performance and position.

## ***Restrictions on holdings***

Following the passage of the Legal Services Act 2007, there are restrictions in place on the holding of 'restricted interests' in Licensed Body law firms. For these purposes, a restricted interest is an interest of 10 per cent or more in the issued share capital of a Licenced Body, including an interest in the ultimate parent company of a Licenced Body. As Keystone is a Licensed Body, the restrictions require the consent of the SRA where any person who is not an SRA approved person or a qualified lawyer wishes to acquire a shareholding of 10 per cent or more in the Company. This is significant as any consent from the SRA may have conditions attached. Failure to notify the SRA in these circumstances could result in a criminal offence. In addition, the SRA holds the power to force the divestment of any shareholding which breaches this rule and/or revoke or suspend the Licensed Body status of those in breach. Should this situation arise, this could have a material adverse impact on the Group, however, the Directors intend to work closely with the SRA to minimise any such risk.

## ***Competition***

Keystone competes with other legal firms that offer commercial law services in which quality of advice, service, reputation and value operate as highly competitive factors to distinguish the Group. Despite this, there remains a risk that competitor firms, or a newly established firm will acquire market share. Competition remains a core risk for the Company as any loss of market share could reduce revenue, reduce margins, reduce the ability to recruit new lawyers and reduce the retention rates of current personnel, any of which could materially adversely effect the Group's business operations and overall financial condition.



## **Reputation**

Keystone relies on positive brand recognition and the ability of its lawyers to maintain a strong reputation in providing high-quality professional service and the preservation of trusted client relationships. Any significant damage to the Group's reputation may materially adversely affect the Group's future business operating results and financial position. Specifically, if any litigation were to emerge or the Group become involved in advising a client of poor reputational standing, the risk of this being high profile and attracting media attention could consequently damage the credibility and image of the firm.

## **Intellectual property rights and brand name**

The Group may be subject to infringement of its intellectual property, actions resulting from which could be costly either to initiate or to defend. This is significant as intellectual property plays a crucial role in contributing to the Group's brand. As such, brand name, trademarks, domain names, trade secrets and other similar property are important to success and ensuring Keystone is a recognisable name in the legal sector. If intellectual property were to be damaged, this could materially adversely affect the Group's business operations and overall financial condition.

## **Information systems and system security breaches**

The Group is reliant on information technology in which a number of electronic systems are an integral part to the manner in which the business operates. Any breakdown of the Group's information technology system could be significant given the Group's flexible working model and the loss of file management systems could substantially affect the efficiency of the Group and the guarantee of lawyers' meeting stringent deadlines. Whilst the Group has backup systems in place, there is no guarantee that such systems could adequately cover all risks or whether the Group's insurance policies would cover any adverse effects of such an information technology breakdown on the Group's business operation and overall financial position.

Furthermore, as Keystone processes sensitive personal data as part of its business, there is a risk that this data could become public if there were a security breach at Keystone or third party service providers in respect of such data and if one were to occur, Keystone could face liability under data protection laws, and could also lose the goodwill of its clients which would have a material adverse effect on its business.

## **Employee and consultant lawyer misconduct**

Like any law firm, Keystone is exposed to the risk of employees and its consultant lawyers engaging in misconduct. This may include the improper use of information and the disclosure of confidential client information. Any such conduct could result in significant harm to the Group's reputation and result in the Group suffering financial damage if clients were to take their business to other firms, or the SRA were to impose regulatory sanctions.

In a recent court case (*Bernard Sports Surfaces Ltd v Astrosoccer4u Ltd*), the judge presiding over the court case made certain comments about the conduct of Keystone, having been shown emails from a Keystone lawyer regarding advice that lawyer had given to Astrosoccer4u Ltd.

This included comments as to whether there was an intention to abuse the insolvency process, whether it was a breach of the rules relating to the proper conduct of solicitors and also whether there was connivance.

When the judgment was released, Keystone commenced an internal review and in accordance with its internal procedures and SRA requirements Keystone also informed the SRA on 9 October 2017.

Keystone subsequently received a letter from the SRA, stating that the SRA wanted to review the report and "to consider the next steps". The SRA confirmed that it was aiming to contact Keystone by 12 November 2017 to let Keystone know what the SRA wished to do with this matter, and, as at the date of this document, there has been no further contact from the SRA.

There is a risk that following the SRA's review of the matter, the SRA could decide to launch a formal investigation, and such investigation could be focused on Keystone and/or the lawyer in question.

Keystone's internal review has been conducted by its compliance team, having taken advice from a leading QC on insolvency law.

Following Keystone's internal review, the Directors do not believe this to be a material matter, however there is a risk that the SRA could decide to undertake a formal investigation. If such an investigation was to occur, and the SRA found Keystone to be in material breach of the applicable regulations, it may have an adverse effect on Keystone.

### ***Conflict of interest***

Keystone's lawyers have a number of duties imposed on them by the SRA to which they must conform. This includes duties to the court system, responsibilities such as client confidentiality, alongside rules relating to legal professional privilege. There may therefore be circumstances where lawyers must act consistently with these duties and contrary to their other corporate responsibilities against the interests of shareholders and profitability of the Group.

### ***Government actions and legal and regulatory developments***

The Group's business and its lawyers are subject to substantial regulation and whilst some changes may provide opportunities for the Group, the Company's business may also be adversely affected by changes in government legislation, guidelines and regulations. It is not always possible to predict the future changes to laws and regulations as they may relate to the Group's services and any changes could have a material adverse effect on the business operation and overall financial condition of the Group. Any changes to prominent areas of Keystone's practice may therefore be significant in affecting revenue and potentially increasing the Group's operating expenditure.

### ***Economic downturn***

The uncertainty of future changes make trends difficult to predict and prepare for. A prominent example of uncertainty can be seen following the United Kingdom's vote to depart from the European Union. Whilst this is a widespread concern, and one which is not unique to Keystone, any economic downturn may have a material adverse effect on Keystone's business and financial condition. Any such economic downturn may impact on the business of a commercial law firm, as clients may tender for work on a more competitive basis or defer non-immediate work. This could therefore have a material adverse effect on Keystone's overall business and financial condition.

## **RISKS RELATING TO THE PLACING AND THE SHARES**

### ***Investment in AIM-traded securities, share price volatility and liquidity***

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. Following Admission, there can be no assurance that an active or liquid trading market for the Shares will develop or, if developed, that it will be maintained. The Shares may therefore be subject to large fluctuations on small volumes of shares traded. The AIM Rules are less demanding than the rules that apply to companies on the Official List. As a result of these factors, an investment in shares traded on AIM carries a higher risk than those listed on the Official List. It is emphasised that no application is being made for the admission of the Company's securities to the Official List.

Prospective investors should be aware that the value of an investment in the Group may go down as well as up and that the market price of the Shares may not reflect the underlying value of the Group. There can be no guarantee that the value of an investment in the Group will increase. Investors may therefore realise less than, or lose all of, their original investment. The share prices of publicly quoted companies can be highly volatile and shareholdings illiquid. The price at which the Shares are quoted and the price which investors may realise for their Shares may be influenced by a large number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Group and its operations. These factors include, without limitation, (i) the performance of the overall stock market, (ii) large purchases or sales of Shares by other investors, (iii) financial and operational results of the Group (iv) change in research analysts' recommendations and any failure by the Group to meet the expectations of the analysts, (v) changes in legislation or regulations and changes in general economic, political or regulatory conditions, and (vi) other factors which are outside of the control of the Group.

Shareholders may sell their Shares in the future to realise their investment. Sales of substantial amounts of Shares following Admission and/or termination of the lock-in restrictions (the terms of which are summarised

in paragraph 10.4 of Part V of this document), or the perception that such sales could occur, could materially adversely affect the market price of the Shares available for sale compared to the demand to buy Shares. There can be no guarantee that the price of the Shares will reflect their actual or potential market value or the underlying value of the Group's net assets and the price of the Shares may decline below the Placing Price. Shareholders may be unable to realise their Shares at the quoted market price or at all.

### ***Investment risk***

An investment in a quoted company is highly speculative, involves a considerable degree of risk and is suitable only for persons or entities which have substantial financial means and who can afford to hold their ownership interests for an indefinite amount of time or to lose their investment principal. An investment in the Shares may not therefore be suitable for all readers of this document. While various investment opportunities are available, potential investors should consider the risks that pertain to professional services companies in general. Readers are accordingly advised to consult a person duly authorised under the FSMA who specialises in investments of this nature before making any investment decisions.

### ***No prior trading market for the Shares***

Admission to trading on AIM should not be taken as implying that a liquid market for the Shares will either develop or be sustained following Admission. The Company cannot predict the extent to which investor interest in the Shares will lead to the development of a trading market. The liquidity of a securities market is often a function of the volume of the underlying Shares that are publicly held by unrelated parties. If a liquid trading market for the Shares does not develop, the price of Shares may become more volatile and it may be more difficult to complete a buy or sell order for Shares.

### ***Determination of Placing Price***

Placees will subscribe for the Shares at the Placing Price, which is a fixed price, prior to satisfaction of all conditions for the Shares to be issued. The Placing Price may not accurately reflect the trading value of the Shares when issued, or the Company's potential earnings or any other recognised criteria of value.

### ***Dilution***

If the Company were to offer equity securities for sale in the future, Shareholders not participating in these equity offerings may become diluted and pre-emptive rights may not be available to certain Shareholders. The Company may also in the future issue Shares, warrants and/or options to subscribe for new Shares, including (without limitation) to certain advisers, employees, directors, senior management and consultants. The exercise of such warrants and/or options may also result in dilution of the shareholdings of other investors.

### ***Dividends may not be paid***

While the Company intends to be dividend paying going forward, the declaration and payment of any future dividends will be subject to the discretion of the Directors, and subject to compliance with the Act and the Company's Articles, will depend on the Company's earnings, financial position, cash requirements, strategic goals, availability of distributable reserves and generally accepted accounting principles. As such, no assurance can be given as to the level of any future dividends, if any.

### ***Interests of major Shareholders***

On Admission and in addition to the interests of the Directors set out in paragraph 4.3 of Part V of this document, certain Shareholders, whose names are set out in paragraph 5 of Part V of this document will hold, in aggregate, approximately 83.2 per cent. of the Enlarged Share Capital. Notwithstanding the Relationship Agreement, the Articles and applicable laws and regulations, these Shareholders will be able to exercise significant influence over the Company and the Group's operations, business strategy and those corporate actions that require the approval of the Shareholders.

### ***Taxation***

The attention of potential investors is drawn to paragraph 14 of Part V of this document. The tax rules, including stamp duty provisions and their interpretation relating to an investment in the Group, may change during the life of the Group. The levels of, and reliefs from, taxation may change. The tax reliefs referred to

in this document are those currently available and their value depends on investors' individual circumstances. Any change in the Group's tax status or the tax applicable to holding Shares or in taxation legislation or its interpretation could have an adverse effect on the value of the investments held by the Group, its ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this document concerning taxation of the Group and its investors are based on current tax law and practice which is subject to change. Prospective investors should therefore consider carefully whether investment in the Company is suitable for them, in light of the risk factors outlined, their personal circumstances and the financial resources available to them.

**THE RISKS NOTED ABOVE DO NOT NECESSARILY COMPRISE ALL RISKS FACED BY THE GROUP.**

**PART III:**  
**HISTORICAL FINANCIAL INFORMATION**

**SECTION A: ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION FOR THE THREE YEARS ENDED 31 JANUARY 2017**



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The Directors  
Keystone Law Group plc  
48 Chancery Lane  
London  
EC2A 1JF

16 November 2017

Dear Sirs,

**Keystone Law Group plc (the "Company") and its subsidiary undertakings (together the "Group")**

We report on the historical financial information of the Group as set out in Part III of the Admission Document dated 16 November 2017 ("**Admission Document**") of Keystone Law Group plc. This historical financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out at Note 2 to the historical financial information. This report is required by paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law, we do not accept or assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies, or consenting to its inclusion in the Admission Document.

**Responsibilities**

The Directors of the Company are responsible for preparing the historical financial information in accordance with International Financial Reporting Standards as adopted by the European Union, except that, as described under the basis of preparation at note 2 to the historical financial information, certain accounting conventions, commonly used for the preparation of historical financial information for inclusion in investment circulars, as described in the Annexure to Standards for Investment Reporting 2000 issued by the Financial Reporting Council in the United Kingdom, have been applied.

It is our responsibility to form an opinion on the historical financial information and to report our opinion to you.

## **Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the historical financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the historical financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the historical financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdiction other than the United Kingdom and accordingly should not be relied upon as if it has been carried out in accordance with those other standards and practices.

## **Opinion**

In our opinion, the historical financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 2 to the historical financial information and otherwise in accordance with International Financial Reporting Standards as adopted by the European Union.

## **Declaration**

For the purposes of part (a) of Schedule Two to the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with item 1.2 of Annex I and item 1.2 of Annex III of Appendix 3.1.1 of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies.

Yours faithfully

## **RSM Corporate Finance LLP**

Regulated by the Institute of Chartered Accountants in England and Wales

RSM Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347.

A list of the names of members is open to inspection at the registered office 25 Farringdon Street London EC4A 4AB

**SECTION B: HISTORICAL FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 JANUARY 2017**

**KEYSTONE LAW GROUP LIMITED  
STATEMENT OF COMPREHENSIVE INCOME**

		<i>The year ended 31 January</i>		
	<i>Note</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
		£	£	£
Revenue	4	25,558,975	20,890,210	16,125,936
Cost of sales		(18,994,015)	(15,590,177)	(11,948,179)
Gross profit		6,564,960	5,300,033	4,177,757
Depreciation and amortisation	5	(386,086)	(379,715)	(128,952)
Transaction costs	5	–	–	(194,824)
Administrative expenses	5	(4,571,973)	(3,720,872)	(3,177,261)
Other operating income		76,614	82,442	20,055
Operating profit		1,683,515	1,281,888	696,775
Finance income	7	29,786	34,836	28,716
Finance costs	7	(512,649)	(533,514)	(154,936)
Profit before tax		1,200,652	783,210	570,555
Corporation tax expense	10	(332,842)	(233,194)	(323,889)
Profit for the year		867,810	550,016	246,666
<b>Total comprehensive income for the year attributable to owners of the Company</b>		867,810	550,016	246,666

The above results were derived from continuing operations.

**KEYSTONE LAW GROUP LIMITED**  
**STATEMENT OF FINANCIAL POSITION**

	Note	The year ended 31 January		
		2017 £	2016 £	2015 £
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	11	50,735	49,231	47,331
Intangible assets	12	7,512,142	7,863,026	8,213,910
Available-for-sale financial assets	15	13,628	13,628	13,628
		<u>7,576,505</u>	<u>7,925,885</u>	<u>8,274,869</u>
<b>Current assets</b>				
Trade and other receivables	16	9,283,626	6,593,269	5,363,013
Cash and cash equivalents		714,266	446,353	321,797
		<u>9,997,892</u>	<u>7,039,622</u>	<u>5,684,810</u>
<b>Total assets</b>		<u><u>17,574,397</u></u>	<u><u>14,965,507</u></u>	<u><u>13,959,679</u></u>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	17	471	471	449
Share premium		428,123	428,123	428,123
Retained earnings		1,030,005	162,195	(387,821)
Equity attributable to owners of the Company		<u>1,458,599</u>	<u>590,789</u>	<u>40,751</u>
<b>Non-current liabilities</b>				
Borrowings	18	5,771,427	6,971,427	7,771,427
Deferred tax liabilities		547,533	615,737	689,328
		<u>6,318,960</u>	<u>7,587,164</u>	<u>8,460,755</u>
<b>Current liabilities</b>				
Trade and other payables	22	8,338,738	5,492,290	4,200,868
Borrowings	18	1,200,000	886,997	906,518
Corporation tax liability		183,100	408,267	350,787
Provisions	21	75,000	–	–
		<u>9,796,838</u>	<u>6,787,554</u>	<u>5,458,173</u>
<b>Total liabilities</b>		<u><u>16,115,798</u></u>	<u><u>14,374,718</u></u>	<u><u>13,918,928</u></u>
<b>Total equity and liabilities</b>		<u><u>17,574,397</u></u>	<u><u>14,965,507</u></u>	<u><u>13,959,679</u></u>



**KEYSTONE LAW GROUP LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**

	<i>Attributable to owners of the Company</i>			<i>Total</i>
	<i>Share capital</i>	<i>Share premium</i>	<i>Retained earnings</i>	
	£	£	£	£
At 1 February 2014	–	–	–	–
Profit for the year and total comprehensive income	–	–	246,666	246,666
Reversal of pre-acquisition reserves at 17 October 2014 (note 2)	–	–	(634,487)	(634,487)
New share capital subscribed	449	428,123	–	428,572
At 31 January 2015	449	428,123	(387,821)	40,751
Profit for the year and total comprehensive income	–	–	550,016	550,016
New share capital subscribed	22	–	–	22
At 31 January 2016	471	428,123	162,195	590,789
Profit for the year and total comprehensive income	–	–	867,810	867,810
At 31 January 2017	471	428,123	1,030,005	1,458,599

**KEYSTONE LAW GROUP LIMITED**  
**STATEMENT OF CASH FLOWS**

		<i>The year ended 31 January</i>		
		2017	2016	2015
	<i>Note</i>	£	£	£
<b>Cash flows from operating activities</b>				
Profit before tax		1,200,652	783,210	570,555
Adjustments to cash flows from non-cash items				
Depreciation and amortisation	5	386,086	379,715	128,952
Loss on disposal of property plant and equipment		33,619	–	–
Finance income	7	(29,786)	(34,836)	(28,716)
Finance costs	7	512,649	533,514	154,936
		<u>2,103,220</u>	<u>1,661,603</u>	<u>825,727</u>
Working capital adjustments				
Increase in trade and other receivables		(2,690,357)	(1,230,253)	(2,062,183)
Increase in trade and other payables		2,340,925	770,654	1,525,616
Increase in provisions		75,000	–	–
		<u>1,828,788</u>	<u>1,202,004</u>	<u>289,160</u>
Corporation taxes paid		(626,212)	(249,307)	(138,574)
		<u>1,202,576</u>	<u>952,697</u>	<u>150,586</u>
<b>Cash flows from investing activities</b>				
Interest received		29,786	34,836	28,716
Acquisitions of property plant and equipment		(70,325)	(30,731)	(30,467)
Acquisitions of available for sale financial assets		–	–	(13,628)
Acquisitions of subsidiary		–	–	(3,150,000)
		<u>(40,539)</u>	<u>4,105</u>	<u>(3,165,379)</u>
<b>Cash flows from financing activities</b>				
Interest paid		(7,126)	(12,748)	(4,628)
Proceeds from issue of ordinary shares, net of issue costs		–	23	150,000
Proceeds from other borrowings		–	–	3,015,404
Repayment of other borrowings		(886,998)	(819,521)	–
		<u>(894,124)</u>	<u>(832,246)</u>	<u>3,160,776</u>
Net cash flows from financing activities		<u>(894,124)</u>	<u>(832,246)</u>	<u>3,160,776</u>
Net increase in cash and cash equivalents		267,913	124,556	145,983
<b>Cash and cash equivalents at 1 February</b>		<u>446,353</u>	<u>321,797</u>	<u>175,814</u>
<b>Cash and cash equivalents at 31 January</b>		<u><u>714,266</u></u>	<u><u>446,353</u></u>	<u><u>321,797</u></u>

## **KEYSTONE LAW GROUP LIMITED**

### **NOTES TO THE HISTORICAL FINANCIAL INFORMATION**

#### **1. General Information**

The Company was incorporated on 13 May 2014 and subsequently used as the vehicle to acquire Keystone Law Limited (the main trading company in the Group) and its subsidiaries on 17 October 2014. It is a limited liability company incorporated and domiciled in England and Wales. The principal activity of the Group is the provision of legal services.

The address of its registered office is:  
48 Chancery Lane  
London  
WC2A 1JF

The Historical Financial Information is presented in Pounds Sterling, being the functional currency of the Group.

#### **2. Accounting policies**

##### ***Statement of compliance***

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards and interpretations issued by the International Financial Reporting Standards Interpretations Committee ("IFRS IC") as adopted by the European Union (collectively "adopted IFRS's"), except as described below.

##### ***Summary of significant accounting policies and key accounting estimates***

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### ***Basis of preparation***

The Historical Financial Information has been prepared on the following basis:

- The statement of comprehensive income for the Company for the period from incorporation on 13 May 2014 to 31 January 2015 has been aggregated with the statement of comprehensive income for Keystone Law Limited for the period from 1 February 2014 to 31 January 2015 to show the results of the underlying business throughout the entire review period. The statement of financial position is that of the Group as at 31 January 2015 and the statement of cash flows shows the aggregated cash flows of the two entities for the year ended 31 January 2015. The statement of changes in equity for the year ended 31 January 2015 includes a line to reverse Keystone Law Limited's profit for the period from 1 February 2014 to 17 October 2014 (the date of acquisition) as a result of the aggregation of the statements of comprehensive income for the year ended 31 January 2015; and
- The consolidated financial information for the Group for the years ended 31 January 2016 and 31 January 2017.

IFRSs as adopted by the EU do not provide for the preparation of aggregated financial information and accordingly in preparing the Historical Financial Information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standards applicable to public reporting engagements on historical financial information) issued by the Financial Reporting Council in the UK have been applied. The application of these conventions results in a material departure from IFRSs as adopted by the European Union. In all other respects, IFRSs as adopted by the European Union have been applied.

The preparation of Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

### ***Basis of consolidation***

Save as set out under the basis of preparation above, the Group Historical Financial Information consolidates the financial statements of the Company and its subsidiary undertakings drawn up to 31 January 2015, 2016 and 2017.

A subsidiary is an entity controlled by the Company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

The acquisition method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the Company and its subsidiaries, which are related parties, are eliminated in full.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

### ***Going concern***

This historical financial information has been prepared on a going concern basis, which assumes that the Company and its Group will continue to be able to meet its liabilities as they fall due for the foreseeable future. In adopting the going concern basis the Directors have considered the receipt of the net proceeds from the placing of shares by the Company upon admission to AIM.

### ***Changes in accounting policy***

None of the standards, interpretations and amendments effective for the first time from 1 February 2016 have had a material effect on the historical financial information.

None of the standards, interpretations and amendments which are effective for periods beginning after 1 February 2016 and which have not been adopted early, are expected to have a material effect on the historical financial information.

The following standards and interpretations, relevant to the Group's operations that have not been applied in the historical financial information, were in issue but not yet effective or endorsed (unless otherwise stated):

IFRS 9	'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018)
IFRS 15	'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018)
IFRS 16	'Leases' (effective for annual periods beginning on or after 1 January 2019)

### ***Segment reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions. Whilst the Group has operations in more than one geographical locations,

predominantly within the United Kingdom, the Directors are of the opinion that the Group has only one reportable operating segment, this is in line with internal reporting provided to the executive directors.

**Revenue**

Income represents the fair value of services provided during the year on client assignments. Fair value reflects the amounts expected to be recoverable from clients, excluding VAT. Fee income is recognised as contract activity progresses, except where the final outcome cannot be assessed with reasonable certainty.

Fee income in respect of contingent fee assignments is recognised in the period when the contingent event occurs and collectability of the fee is assured.

Unbilled fee income on individual assignments is included as accrued income within receivables with reference to the stage of completion of the assignment.

**Disbursements**

Disbursements are not included in income or expenses.

**Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the historical financial information and on unused tax losses or tax credits available to the Group. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amounts of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

**Tangible assets**

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in its acquisition and installation.

**Depreciation**

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

<i>Asset class</i>	<i>Depreciation method and rate</i>
Computer equipment	33% straight line
Fixtures and fittings	25% straight line

**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.

### ***Impairment of intangibles***

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (CGU).

### ***Other intangible assets***

Lawyer relationships have been separately identified on acquisition and were recognised at fair value at the acquisition date. These lawyer relationships are subsequently held at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the lawyer relationships over their estimated useful life of 10 years.

### ***Investments***

Fixed asset investments are stated at historical cost less provision for any diminution in value.

### ***Financial instruments***

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the underlying contractual arrangement. Financial instruments are recognised on the date when the Group becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value. Financial instruments cease to be recognised at the date when the Group ceases to be party to the contractual provisions of the instrument.

Financial assets are included on the balance sheet as trade and other receivables or cash and cash equivalents.

(a) *Trade receivables*

Trade receivables are stated at their original invoiced value, as the interest that would be recognised from discounting the future cash receipts over the short credit period is not considered to be material. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts.

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives financial instruments and comprise the investment held in Keypoint Law Pty Limited. This investment is included in non-current assets as management does not intend to dispose of it within 12 months of the end of the reporting period.

(c) *Trade payables*

Trade payables are stated at their original invoiced value, as the interest that would be recognised from discounting the future cash payments over the short credit period is not considered to be material.

### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### ***Trade receivables***

Trade receivables are amounts due from clients for services performed in the ordinary course of business.

### ***Trade payables***

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

### ***Borrowings***

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### ***Provisions***

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

### ***Leases***

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the lease term.

### ***Share capital***

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

### ***Defined contribution pension obligation***

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

## **3. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the historical financial information are described below.



### **Acquisition accounting**

The acquisition of Keystone Law Limited by the Company falls outside the scope of IFRS 3, business combinations. However, IFRS 3 does not provide any further guidance on how such transactions should be accounted for and therefore in the absence of an IFRS that specifically applies to this transaction, management has used its judgement in developing and applying an accounting policy. The policy adopted is to use 'acquisition accounting' based on the principles of a business combinations as set out in IFRS 3.

### **Recognition of lawyer relationships**

Lawyer relationships have been separately identified on acquisition and are held at amortised cost. The value attributed to these lawyer relationships is based on a multi-period excess earnings valuation for the lawyers present in Keystone Law Limited at the acquisition date relative to the revenue that they are forecast to generate over the following 10 year period, less attrition. These lawyer relationships are estimated to have a useful life of 10 years and are amortised on a straight-line basis each year.

### **Recoverability of trade receivables**

Due to the nature of the business, there are high levels of trade receivables at the year end, and therefore a risk that some of these balances may be irrecoverable. A bad debt review is carried out by the finance director where debts are assessed and provided against when the recoverability of these balances is considered to be uncertain.

### **Amounts recoverable on contracts (work in progress "WIP")**

The business has carried out a review of prior years' billing activity in order to identify what share of post year end billing relates to the previous financial year. This profile is then applied to the current year's budgeted billing in order to calculate the value of WIP valuation at the year end. The WIP valuation is then validated by reviewing the actual billing between the year end and the time the accounts are prepared to ensure that actual performance is in line with the expected profile.

### **Dilapidations provision**

A provision for dilapidations on the Group's offices has been included in the accounts and is based upon the amount the Group expects to have to pay following termination of its lease.

## **4. Revenue**

The Group's revenue for the year from continuing operations is as follows:

	<i>The year ended 31 January</i>		
	<i>2017</i>	<i>2016</i>	<i>2015</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Rendering of services	25,341,609	20,627,128	16,093,094
Other revenue	217,366	263,082	32,842
	<u>25,558,975</u>	<u>20,890,210</u>	<u>16,125,936</u>

All revenue is derived from a single segment.

In accordance with IFRS 8, no single customer represented more than 10 per cent of revenue for any of the years ended 31 January 2015, 2016 or 2017.

## 5. Expenses by nature

Expenses are comprised of:

	<i>The year ended 31 January</i>		
	<i>2017</i>	<i>2016</i>	<i>2015</i>
	£	£	£
Depreciation	35,202	28,831	26,611
Amortisation	350,884	350,884	102,341
Transaction costs	–	–	194,824
Staff costs	1,972,404	1,745,397	1,542,699
Operating lease expense – property	246,671	166,094	106,803
Other administrative expenses	2,352,898	1,809,381	1,527,759
	<u>4,958,059</u>	<u>4,100,587</u>	<u>3,501,037</u>

The transaction costs in the year ended 31 January 2015 are legal fees associated with the acquisition of Keystone Law Limited by the Company. In accordance with IFRS these costs have been charged to the income statement in the period.

## 6. Operating profit

Operating profit is arrived at after charging:

	<i>The year ended 31 January</i>		
	<i>2017</i>	<i>2016</i>	<i>2015</i>
	£	£	£
Depreciation expense	35,202	28,831	26,611
Operating lease expense – property	246,671	166,094	106,803
Loss on disposal of property, plant and equipment	33,619	–	–
	<u>336,492</u>	<u>194,925</u>	<u>133,414</u>

## 7. Finance income and costs

	<i>The year ended 31 January</i>		
	<i>2017</i>	<i>2016</i>	<i>2015</i>
	£	£	£
<b>Finance income</b>			
Interest income on bank deposits	29,786	34,836	28,716
<b>Finance costs</b>			
Interest on bank overdrafts and borrowings	(1,267)	(6,014)	(2,764)
Interest expense on other financing liabilities	(511,382)	(527,500)	(152,172)
Total finance costs	<u>(512,649)</u>	<u>(533,514)</u>	<u>(154,936)</u>
Net finance costs	<u>(482,863)</u>	<u>(498,678)</u>	<u>(126,220)</u>

## 8. Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	<i>The year ended 31 January</i>		
	<i>2017</i>	<i>2016</i>	<i>2015</i>
	£	£	£
Wages and salaries	1,738,263	1,534,382	1,363,903
Social security costs	182,047	169,069	155,312
Pension costs, defined contribution scheme	52,094	41,946	23,484
	<u>1,972,404</u>	<u>1,745,397</u>	<u>1,542,699</u>

The average number of persons employed by the Group (including directors) during the year, analysed by category was as follows:

	<i>The year ended 31 January</i>		
	<i>2017</i>	<i>2016</i>	<i>2015</i>
Administration and support	<u>32</u>	<u>29</u>	<u>25</u>

## 9. Directors' and key management personnel remuneration

The directors' remuneration for the year was as follows:

	<i>The year ended 31 January</i>		
	<i>2017</i>	<i>2016</i>	<i>2015</i>
	£	£	£
Wages and salaries	921,453	863,962	796,552
Social security costs	120,207	110,188	101,839
Pensions costs, defined contribution scheme	44,025	39,052	12,522
Total remuneration	<u>1,085,685</u>	<u>1,013,202</u>	<u>910,913</u>

In respect of the highest paid director:

	<i>The year ended 31 January</i>		
	<i>2017</i>	<i>2016</i>	<i>2015</i>
	£	£	£
Remuneration	<u>287,200</u>	<u>283,378</u>	<u>238,356</u>

## 10. Corporation tax

Tax charged/(credited) in the income statement

	<i>The year ended 31 January</i>		
	<i>2017</i>	<i>2016</i>	<i>2015</i>
	£	£	£
<b>Current taxation</b>			
UK corporation tax	388,666	306,786	344,357
UK corporation tax adjustment to prior periods	12,379	–	–
	<u>401,045</u>	<u>306,786</u>	<u>344,357</u>
<b>Deferred taxation</b>			
Arising from origination and reversal of temporary differences	1,974	(3,415)	–
Unwinding of deferred tax liability	(70,177)	(70,177)	(20,468)
Tax expense in the income statement	<u>332,842</u>	<u>233,194</u>	<u>323,889</u>

The actual tax charge is higher than the standard rate of corporation tax in the UK applied to the profit before tax (2017 – 34 per cent., 2016 – 26.7 per cent., 2015 – 39.7 per cent.).

The differences are reconciled below:

	<i>The year ended 31 January</i>		
	<i>2017</i>	<i>2016</i>	<i>2015</i>
	£	£	£
Profit before tax	<u>1,200,652</u>	<u>783,210</u>	<u>570,555</u>
Corporation tax at standard rate (20%: 2016 and 2017, 21.3%: 2015)	240,130	156,742	121,528
Increase in current tax from adjustment to prior periods	12,379	–	88,913
Decrease from effect of capital allowances depreciation	(965)	(4,018)	(1,206)
Increase from effect of expenses not deductible in determining taxable profit	105,832	80,470	114,654
Decrease from effect of adjustment in research and development tax credit	(24,534)	–	–
Total tax charge	<u>332,842</u>	<u>233,194</u>	<u>323,889</u>

## 11. Property, plant and equipment

	<i>Furniture, fittings and equipment</i> £
<b>Cost or valuation</b>	
At 1 February 2014	104,110
Additions	30,467
	<hr/>
At 31 January 2015	134,577
Additions	30,731
Disposals	(539)
	<hr/>
At 31 January 2016	164,769
Additions	70,325
Disposals	(57,785)
	<hr/>
At 31 January 2017	177,309
	<hr/>
<b>Depreciation</b>	
At 1 February 2015	60,635
Charge for year	26,611
	<hr/>
At 31 January 2015	87,246
Charge for year	28,831
Eliminated on disposal	(539)
	<hr/>
At 31 January 2016	115,538
Charge for the year	35,202
Eliminated on disposal	(24,166)
	<hr/>
At 31 January 2017	126,574
	<hr/>
<b>Carrying amount</b>	
At 31 January 2017	50,735
	<hr/> <hr/>
At 31 January 2016	49,231
	<hr/> <hr/>
At 31 January 2015	47,331
	<hr/> <hr/>
At 1 February 2014	43,475
	<hr/> <hr/>

Additions in the year ended 31 January 2015 do not include assets acquired as part of the business acquisition due to the aggregation process for this period as described in note 2.

## 12. Intangible assets

	<i>Lawyer relationships</i> £	<i>Goodwill</i> £	<i>Total intangibles</i> £
<b>Cost or valuation</b>			
At 1 February 2014	–	–	–
Additions	3,508,840	4,807,411	8,316,251
	<hr/>	<hr/>	<hr/>
At 31 January 2015, 2016 and 2017	3,508,840	4,807,411	8,316,251
<b>Amortisation</b>			
At 1 February 2015	–	–	–
Charge for year	102,341	–	102,341
	<hr/>	<hr/>	<hr/>
At 31 January 2015	102,341	–	102,341
Charge for year	350,884	–	350,884
	<hr/>	<hr/>	<hr/>
At 31 January 2016	453,225	–	453,225
Charge for the year	350,884	–	350,884
	<hr/>	<hr/>	<hr/>
At 31 January 2017	804,109	–	804,109
	<hr/>	<hr/>	<hr/>
<b>Carrying amount</b>			
At 31 January 2017	2,704,731	4,807,411	7,512,142
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 January 2016	3,055,615	4,807,411	7,863,026
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 January 2015	3,406,499	4,807,411	8,213,910
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1 February 2014	–	–	–
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

For the purpose of impairment testing, goodwill arising from the acquisition of Keystone Law Limited is allocated to the cash generating unit (CGU) that is expected to benefit from the synergies of the combination. Goodwill reviews are undertaken annually or more frequently if events or changes in circumstances indicate potential impairment.

An impairment review has been performed for the year ended 31 January 2017 and recoverable amounts have been determined based on value-in-use calculations. These calculations have assessed the projected future cash flows over the next five years based on financial budgets approved by management for the year ended 31 January 2018 and then projected for a further 4 years. A discounted cash flow model was prepared taking into account management's assumptions for growth in EBITDA and the historical growth rates experienced by the Group, using a discount rate of 11 per cent.

Management does not foresee any realistic adverse movement in the assumptions used in the impairment review which would trigger the requirement for an impairment.

### 13. Investments

#### Company subsidiaries

Details of the Company's subsidiaries as at the end of each year were as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Group		
			2017	2016	2015
Keystone Law Limited*	Provision of legal services	England and Wales	100%	100%	100%
Audley Business Services Limited*	Dormant **	England and Wales	100%	100%	100%
Keystone Law (Guernsey) Limited	Dormant	England and Wales	100%	100%	100%

\* indicates direct investment of the Company \*\* Audley Business Services Limited was dissolved in June 2017

### 14. Business combinations and acquisitions

On 17 October 2014, the Company acquired 100 per cent. of the share capital of the following companies for a total consideration of £9,000,000 split as follows:

Company	Consideration	Principal activity
Keystone Law Limited	£9,000,000	Provision of legal services
Keystone Law (Guernsey)	Nil	Dormant
Audley Business Services	Nil	Dormant

The investment in Keystone Law Limited has been included in the Group's balance sheet at the date of acquisition as follows:

#### Fair value of identifiable assets acquired and liabilities assumed

	Fair value £
Tangible Fixed assets	73,418
Intangible Fixed assets	3,508,840
Trade and other receivables	4,922,315
Cash and cash equivalents	396,004
Trade and other payables	(3,998,191)
Deferred tax liabilities	(709,797)
Net identifiable assets and liabilities	4,192,589
Goodwill arising on acquisition	4,807,411
Total assets and liabilities acquired	9,000,000
<i>Satisfied by:</i>	£
Cash	3,150,000
Shares	278,573
Loan notes	5,571,427
Total consideration	9,000,000

Keystone Law Limited earned revenue of £4,841,596 and a profit after tax of £211,346 in the period from 17 October 2014 to 31 January 2015.



## 15. Available-for-sale financial assets

	As at 31 January		
	2017	2016	2015
	£	£	£
<b>Non-current financial assets</b>			
Available-for-sale financial assets	<u>13,628</u>	<u>13,628</u>	<u>13,628</u>

Assets held for sale represent the value of the Group's investment in Keypoint Law Limited Pty, an Australian law firm.

## 16. Trade and other receivables

	As at 31 January		
	2017	2016	2015
	£	£	£
Trade receivables	4,870,156	2,955,809	2,657,032
Provision for impairment of trade receivables	<u>(697,843)</u>	<u>(447,271)</u>	<u>(369,192)</u>
Net trade receivables	4,172,313	2,508,538	2,287,840
Receivables from related parties	29,307	4,967	–
Accrued income	3,888,999	3,319,163	2,386,412
Prepayments	465,850	356,245	303,912
Other receivables	<u>727,157</u>	<u>404,356</u>	<u>384,849</u>
Total current trade and other receivables	<u>9,283,626</u>	<u>6,593,269</u>	<u>5,363,013</u>

The fair value of those trade and other receivables classified as financial instrument loans and receivables are disclosed in the financial instruments note.

The Group's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in the financial risk management and impairment of financial assets note.

Included within other receivables are unbilled disbursements of £604,326 at 31 January 2017 (31 January 2016 – £307,755, 31 January 2015 – £258,008).

Trade receivables stated above include amounts due at the end of the reporting period for which an allowance for doubtful debts has not been recognised as the amounts are still considered recoverable and there has been no significant change in credit quality.

### Age of trade receivables that are not impaired

	As at 31 January		
	2017	2016	2015
	£	£	£
7 to 30 days	2,172,482	1,177,034	757,086
31 to 60 days	921,923	707,412	910,303
61 to 90 days	426,542	188,206	314,615
91 to 120 days	232,761	104,261	130,699
3 to 6 months	151,100	61,239	175,137*
6 months to 1 year	230,196	270,386	–
Over 1 year	<u>37,309</u>	<u>–</u>	<u>–</u>
	<u>4,172,313</u>	<u>2,508,538</u>	<u>2,287,840</u>
Average age (days)	<u>41</u>	<u>38</u>	<u>40</u>

\*Split of ageing between 3 – 6 months and over 6 months not available at 31 January 2015

The provision for impairment of trade receivables (analysed below) is the difference between the carrying value and the present value of the expected proceeds.

### **Age of impaired trade receivables**

	As at 31 January		
	2017	2016	2015
	£	£	£
31 to 60 days	–	–	–
61 to 90 days	4,200	1,653	–
91 to 120 days	2,280	24,901	–
3 to 6 months	16,660	8,421	369,192*
6 months to 1 year	265,607	140,396	–
Over 1 year	409,096	271,900	–
	<u>697,843</u>	<u>447,271</u>	<u>369,192</u>

\*Split of ageing between 3 – 6 months and over 6 months not available at 31 January 2015

The Directors consider that the carrying value of trade and other receivables approximates to fair value.

### **17. Allotted, called up and fully paid shares**

	As at 31 January 2017		As at 31 January 2016		As at 31 January 2015	
	No.	£	No.	£	No.	£
A Ordinary shares of £10.00 each	2	20.00	2	20.00	2	20.00
Ordinary shares of £0.001 each	428,573	428.57	428,573	428.57	428,573	428.57
Incentive Ordinary shares of £0.001 each	<u>22,552</u>	<u>22.55</u>	<u>22,552</u>	<u>22.55</u>	<u>–</u>	<u>–</u>
	<u>451,127</u>	<u>471.12</u>	<u>451,127</u>	<u>471.12</u>	<u>428,575</u>	<u>448.57</u>

### **Rights, preferences and restrictions**

A Ordinary shares have the following rights, preferences and restrictions:

A Ordinary shares have no right to dividends and have no right to participate on a return of capital in liquidation or otherwise. A Ordinary shares do not carry any right to vote except if any holder of those shares is entitled to exercise in respect of all their shares in aggregate less than 5 per cent. of the total number of votes capable of being cast, in which case the number of votes conferred on the A Ordinary shares is increased by such a number as entitles them to exercise 5 per cent. of the votes capable of being cast.

Ordinary shares have the following rights, preferences and restrictions:

Ordinary shares have attached to them full voting, dividend and capital distribution (on winding up) rights; they do not confer any rights of redemption.

Incentive Ordinary shares have the following rights, preferences and restrictions:

The Incentive shares have no right to vote.

## 18. Borrowings

	As at 31 January		
	2017	2016	2015
	£	£	£
<b>Non-current loans and borrowings</b>			
Other borrowings	<u>5,771,427</u>	<u>6,971,427</u>	<u>7,771,427</u>
	As at 31 January		
	2017	2016	2015
	£	£	£
<b>Current loans and borrowings</b>			
Other borrowings	<u>1,200,000</u>	<u>886,997</u>	<u>906,518</u>

The loans are unsecured Loan Notes which attract an interest rate of 6 per cent. per annum. The loans and borrowings classified as financial instruments are disclosed in the financial instruments note.

The Group's exposure to market and liquidity risk; including maturity analysis, in respect of loans and borrowings is disclosed in the financial risk management and impairment of financial assets note.

## 19. Obligations under leases and hire purchase contracts

### **Operating leases**

The Group leases an office under a non-cancellable operating lease agreement.

The total future value of minimum lease payments is as follows:

	As at 31 January		
	2017	2016	2015
	£	£	£
Within one year	200,683	167,966	152,277
In two to five years	745,668	–	–
In over five years	8,172	–	–
	<u>954,523</u>	<u>167,966</u>	<u>152,277</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £246,671 (2016 – £166,094, 2015 – £106,803).

## 20. Pension and other schemes

### **Defined contribution pension scheme**

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £52,094 (2016 – £41,946, 2015 – £23,484).

## 21. Provisions

	<i>Dilapidations provision</i> £	<i>Total</i> £
At 31 January 2015 and 2016	–	–
Additional provisions	75,000	75,000
At 31 January 2017	75,000	75,000
Current liabilities	75,000	75,000

The dilapidations provision has been recognised within administrative expenses in the year ended 31 January 2017.

## 22. Trade and other payables

	<i>As at 31 January</i>		
	<i>2017</i> £	<i>2016</i> £	<i>2015</i> £
Trade payables	3,811,518	2,125,144	1,927,407
Accrued expenses	4,401,957	3,228,957	2,231,316
Amounts due to related parties	–	–	–
Social security and other taxes	121,206	138,189	40,835
Other payables	4,057	–	1,310
Total trade and other payables	8,338,738	5,492,290	4,200,868

The fair value of the trade and other payables classified as financial instruments are disclosed in the financial instruments note.

The Group's exposure to market and liquidity risks related to trade and other payables is disclosed in the financial risk management and impairment of financial assets note. The Group pays its trade payables on terms and as such trade payables are not yet due at the balance sheet dates.

## 23. Related party disclosures

On 17 October 2014, the Company acquired 100 per cent. of the share capital of Keystone Law Limited for a total consideration of £9,000,000 this was satisfied by the payment of £3,150,000 cash, shares in the Company with a value of £278,573 and 6 per cent. Loan Notes as follows: J Knight £4,714,285, C Stringer £428,571, W Robins £428,571. The cash for the acquisition was funded by means of an equity subscription by Root Capital and £3,000,000 of debt. In exchange for the latter, the Company issued 6 per cent. Loan Notes to Root Capital. Interest on the Loan Notes has accrued throughout the period and has not been paid out. The balance of the loans, including unpaid interest at the end of each of the financial year ends is show below:

	<i>As at 31 January</i>		
	<i>2017</i> £	<i>2016</i> £	<i>2015</i> £
J Knight	4,501,935	4,665,399	4,818,692
C Stringer	407,401	422,125	436,066
W Robins	407,401	422,125	436,066
Root Capital	2,851,809	2,954,876	3,052,462

Interest charged on these loans was £505,523 in the year ended 31 January 2017, £521,181 in the year ended 31 January 2016 and £150,308 in the year ended 31 January 2015.

During the period, the Group has delivered services in the normal course of its business to Root Capital LLP and companies within the Root Capital portfolio. These transactions have been made at arm's length on normal commercial terms.

The value of transactions with Root Capital LLP and companies within the Root Capital portfolio was £138,084 in the year ended 31 January 2017, £96,858 in the year ended 31 January 2016 and £62,586 in the year ended 31 January 2015. No balances were outstanding at any of the years ended 31 January 2015, 2016 and 2017.

## 24. Financial instruments

In common with other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The significant accounting policies regarding financial instruments are disclosed in note 2.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in this note.

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

### Financial assets

#### Available-for-sale financial assets

	<i>Fair value</i>		
	<i>As at 31 January</i>		
	2017	2016	2015
	£	£	£
Available-for-sale financial assets	13,628	13,628	13,628
	<u>13,628</u>	<u>13,628</u>	<u>13,628</u>

### Loans and receivables

	<i>Held at amortised cost</i>		
	<i>As at 31 January</i>		
	2017	2016	2015
	£	£	£
Cash and cash equivalents	714,266	446,353	321,797
Trade and other receivables	8,817,776	6,237,024	5,059,101
	<u>9,532,042</u>	<u>6,683,377</u>	<u>5,380,898</u>

### Financial liabilities

#### Financial liabilities at amortised cost

	<i>Held at amortised cost</i>		
	<i>As at 31 January</i>		
	2017	2016	2015
	£	£	£
Trade and other payables	8,217,532	5,354,101	4,160,033
Borrowings	6,971,427	7,858,424	8,677,945
	<u>15,188,959</u>	<u>13,212,525</u>	<u>12,837,978</u>

There is no significant difference between the fair value and carrying value of financial instruments.

## **25. Financial risk management and impairment of financial assets**

### ***General objectives, policies and processes***

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's finance function. The board receives regular reports from the Finance Director through which it reviews the effectiveness of processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's competitiveness and flexibility. Further details regarding these policies are set out below:

### ***Credit risk and impairment***

Credit risk arises principally from the Group's trade and other receivables. It is the risk that the counter party fails to discharge its obligation in respect of the instrument. The maximum exposure to credit risk equals the carrying value of these items in the financial statements.

Credit risk with cash and cash equivalents is reduced by placing funds with banks with high credit ratings.

### ***Liquidity risk***

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

The Board receives cash flow projections on a regular basis which are monitored regularly. The Board will not commit to material expenditure in respect of its ongoing development programme prior to being satisfied that sufficient funding is available to the Group to finance the planned programmes.

### ***Interest rate risk and fair value risk***

There is no significant interest rate risk in respect of temporary surplus funds invested in deposits and other interest-bearing accounts with financial institutions as the operations of the Group are not dependent on the finance income received.

### ***Capital risk management***

The Group considers its capital to comprise its ordinary share capital and retained profits as its equity capital. In managing its capital, the Group's primary objective is to provide return for its equity shareholders through capital growth and future dividend income. The Group's policy is to seek to maintain a gearing ratio that balances risks 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. In making decisions to adjust its capital structure to achieve these aims, either through new share issues or the issue of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

Details of the Group's capital are disclosed in the Statement of Changes in Equity.

There have been no other significant changes to the Group's management objectives, policies and procedures in the year nor has there been any change in what the Group considers to be capital.

### ***Currency risk***

The Group is not exposed to any significant currency risk. The Group also manages its currency exposure by retaining its cash balances in Sterling.

## **26. Post balance sheet events**

Post year end the Group has repaid £1.2 million of borrowings in line with the terms of the Loan Notes.

**PART IV:**  
**UNAUDITED INTERIM FINANCIAL INFORMATION ON THE GROUP**  
**FOR THE SIX MONTHS ENDED 31 JULY 2017**

**KEYSTONE LAW GROUP LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 JULY 2017**

	<i>Note</i>	<i>Six months ended 31 July 2017 £</i>	<i>Six months ended 31 July 2016 £</i>
Revenue	4	15,347,844	12,400,373
Cost of sales		<u>(11,183,544)</u>	<u>(9,203,373)</u>
Gross profit		4,164,300	3,197,000
Depreciation and amortisation	5	(189,551)	(191,024)
Administrative expenses	5	(2,480,984)	(2,020,624)
Other operating income		<u>1,516</u>	<u>44,914</u>
Operating profit		<u>1,495,281</u>	<u>1,030,266</u>
Finance income	7	16,512	15,534
Finance costs	7	<u>(265,996)</u>	<u>(275,867)</u>
Net finance cost		<u>(249,484)</u>	<u>(260,333)</u>
Profit before tax		1,245,797	769,933
Corporation tax expense		<u>(239,371)</u>	<u>(155,816)</u>
Profit for the period		<u>1,006,426</u>	<u>614,117</u>
<b>Total comprehensive income for the period attributable to the owners of the Company</b>		<u><u>1,006,426</u></u>	<u><u>614,117</u></u>

The above results were derived from continuing operations.



**KEYSTONE LAW GROUP LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2017**

		<i>As at 31 July 2017</i>	<i>As at 31 January 2017</i>
	<i>Note</i>	<i>£</i>	<i>£</i>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	41,440	50,735
Intangible assets	10	7,336,700	7,512,142
Available-for-sale financial assets	12	13,628	13,628
		<u>7,391,768</u>	<u>7,576,505</u>
<b>Current assets</b>			
Trade and other receivables	13	10,716,271	9,283,626
Cash and cash equivalents		1,892,639	714,266
		<u>12,608,910</u>	<u>9,997,892</u>
<b>Total assets</b>		<u><u>20,000,678</u></u>	<u><u>17,574,397</u></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	14	471	471
Share premium		428,123	428,123
Retained earnings		2,036,431	1,030,005
Equity attributable to owners of the Company		<u>2,465,025</u>	<u>1,458,599</u>
<b>Non-current liabilities</b>			
Borrowings	15	5,771,427	5,771,427
Deferred tax liabilities		521,768	547,533
		<u>6,293,195</u>	<u>6,318,960</u>
<b>Current liabilities</b>			
Trade and other payables	19	9,724,314	8,338,738
Borrowings	15	1,200,000	1,200,000
Corporation tax liability		243,144	183,100
Provisions	18	75,000	75,000
		<u>11,242,458</u>	<u>9,796,838</u>
<b>Total liabilities</b>		<u>17,535,654</u>	<u>16,115,798</u>
<b>Total equity and liabilities</b>		<u><u>20,000,678</u></u>	<u><u>17,574,397</u></u>

**KEYSTONE LAW GROUP LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED  
31 JANUARY 2017**

	<i>Share capital</i> £	<i>Share premium</i> £	<i>Retained earnings</i> £	<i>Total</i> £
At 1 February 2017	471	428,123	1,030,005	1,458,599
Profit for the period and total comprehensive income	–	–	1,006,426	1,006,426
At 31 July 2017	<u>471</u>	<u>428,123</u>	<u>2,036,431</u>	<u>2,465,025</u>

	<i>Share capital</i> £	<i>Share premium</i> £	<i>Retained earnings</i> £	<i>Total</i> £
At 1 August 2016	471	428,123	776,312	1,204,906
Profit for the period and total comprehensive income	–	–	253,693	253,693
At 31 January 2017	<u>471</u>	<u>428,123</u>	<u>1,030,005</u>	<u>1,458,599</u>

	<i>Share capital</i> £	<i>Share premium</i> £	<i>Retained earnings</i> £	<i>Total</i> £
At 1 February 2016	471	428,123	162,195	590,789
Profit for the period and total comprehensive income	–	–	614,117	614,117
At 31 July 2016	<u>471</u>	<u>428,123</u>	<u>776,312</u>	<u>1,204,906</u>

**KEYSTONE LAW GROUP LIMITED****CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 JULY 2017**

	<i>Six months ended 31 July 2017 £</i>	<i>Six months ended 31 July 2016 £</i>
<b>Cash flows from operating activities</b>		
Profit for the period	1,006,426	614,117
<b>Adjustments to cash flows from non-cash items</b>		
Depreciation and amortisation	189,552	191,024
Finance income	(16,512)	(15,534)
Finance costs	265,997	275,867
Corporation tax expense	239,371	155,816
	<u>1,684,834</u>	<u>1,221,290</u>
<b>Working capital adjustments</b>		
Increase in trade and other receivables	(1,432,645)	(1,231,473)
Increase in trade and other payables	1,135,693	1,109,127
Cash generated from operations	1,387,882	1,098,944
Corporation taxes paid	(214,415)	(418,167)
	<u>1,173,467</u>	<u>680,777</u>
Net cash flow from operating activities		
<b>Cash flows from investing activities</b>		
Interest received	16,512	15,534
Acquisitions of property plant and equipment	(4,815)	(5,613)
	<u>11,697</u>	<u>9,921</u>
Net cash flows from investing activities		
<b>Cash flows from financing activities</b>		
Interest paid	(6,792)	(11,170)
Repayment of other borrowings	–	(86,997)
	<u>(6,792)</u>	<u>(98,167)</u>
Net cash flows from financing activities		
Net increase in cash and cash equivalents	1,178,372	592,531
Cash and cash equivalents at 1 February	714,266	446,353
	<u>1,892,638</u>	<u>1,038,884</u>
Cash and cash equivalents at 31 July		

## **KEYSTONE LAW GROUP LIMITED**

### **NOTES TO THE UNAUDITED INTERIM HISTORICAL FINANCIAL INFORMATION**

#### **1. General Information**

The Company is a private company limited by share capital incorporated and domiciled in England and Wales.

The address of its registered office is:

48 Chancery Lane  
London  
WC2A 1JF

The interim historical financial information is presented in Pounds Sterling, being the functional currency of the Group.

#### **2. Accounting policies**

##### ***Statement of compliance***

The Group interim historical financial information has been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's").

##### ***Summary of significant accounting policies and key accounting estimates***

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

##### ***Basis of preparation***

The financial statements have been prepared in accordance with adopted IFRSs and under historical cost accounting rules.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

##### ***Basis of consolidation***

The Group interim historical financial information consolidates the financial statements of the Company and its subsidiary undertakings drawn up to 31 July 2017.

A subsidiary is an entity controlled by the Company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

### ***Going concern***

This interim historical financial information has been prepared on a going concern basis, which assumes that the Company and its Group will continue to be able to meet its liabilities as they fall due for the foreseeable future. In adopting the going concern basis the Directors have considered the receipt of the net proceeds from the placing of shares by the Company upon admission to AIM.

### ***Changes in accounting policy***

None of the standards, interpretations and amendments effective for the first time from 1 February 2016 have had a material effect on the financial statements.

None of the standards, interpretations and amendments which are effective for periods beginning after 1 February 2016 and which have not been adopted early, are expected to have a material effect on the financial statements.

The following standards and interpretations, relevant to the Group's operations that have not been applied in the historical financial information, were in issue but not yet effective or endorsed (unless otherwise stated):

IFRS 9	'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018)
IFRS 15	'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018)
IFRS 16	'Leases' (effective for annual periods beginning on or after 1 January 2019)

### ***Turnover***

Income represents the fair value of services provided during the year on client assignments. Fair value reflects the amounts expected to be recoverable from clients, excluding VAT. Fee income is recognised as contract activity progresses, except where the final outcome cannot be assessed with reasonable certainty.

Fee income in respect of contingent fee assignments is recognised in the period when the contingent event occurs and collectability of the fee is assured.

Unbilled fee income on individual assignments is included as amounts recoverable on contracts within debtors.

### ***Disbursements***

Disbursements are not included in income or expenses.

### ***Tax***

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the group. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

**Tangible assets**

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

**Depreciation**

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

<i>Asset class</i>	<i>Depreciation method and rate</i>
Computer equipment	33 per cent. straight line
Fixtures and fittings	25 per cent. straight line

**Business combinations**

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

**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 held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**Financial instruments**

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the underlying contractual arrangement. Financial instruments are recognised on the date when the Group becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value. Financial instruments cease to be recognised at the date when the Group ceases to be party to the contractual provisions of the instrument.

Financial assets are included on the balance sheet as trade and other receivables or cash and cash equivalents.

(a) *Trade receivables*

Trade receivables are stated at their original invoiced value, as the interest that would be recognised from discounting the future cash receipts over the short credit period is not considered to be material. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts.

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives and comprise the investment held in Keypoint Law Pty Limited. This investment is included in non-current assets as management do not intend to dispose of it within 12 months of the end of the reporting period.

(c) *Trade payables*

Trade payables are stated at their original invoiced value, as the interest that would be recognised from discounting the future cash payments over the short credit period is not considered to be material.

### ***Borrowings***

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### ***Provisions***

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

### ***Leases***

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

### ***Share capital***

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

### ***Dividends***

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the Company's shareholders.

### ***Defined contribution pension obligation***

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.



### 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below.

#### **Bad debt provision**

Due to the nature of the business, there are high levels of trade receivables at the year end, and therefore a risk that some of these balances may be irrecoverable. A bad debt review is carried out by the finance director where debts are assessed and provided against when the recoverability of these balances is considered to be uncertain.

#### **Amounts recoverable on contracts (work in progress "WIP")**

The business has carried out a review of prior years' billing activity in order to identify what share of post year end billing relates to the previous financial year. This profile is then applied to the current year's budgeted billing in order to calculate the WIP valuation at the year end, This is then validated by reviewing the actual billing between the year end and the time the accounts are prepared to ensure that actual performance is in line with the expected profile.

#### **Dilapidations provision**

A provision for dilapidations on the Group's offices has been included in the accounts and is based upon the amount the Group expects to have to pay following termination of its lease.

### 4. Revenue

The analysis of the Group's revenue for the period from continuing operations is as follows:

	<i>Six months ended 31 July 2017 £</i>	<i>Six months ended 31 July 2016 £</i>
Rendering of services	15,287,721	12,318,350
Other revenue	60,122	82,023
	<u>15,347,843</u>	<u>12,400,373</u>

All revenue is derived from a single segment.

In accordance with IFRS 8, no single customer represented more than 10 per cent of revenue in the six months ended 31 July 2017 or 31 July 2016.

## 5. Expenses by nature

	<i>Six months ended 31 July 2017 £</i>	<i>Six months ended 31 July 2016 £</i>
Staff Costs	1,061,234	879,306
Operating lease expense – property	140,955	83,554
Depreciation	14,109	15,582
Amortisation	175,442	175,442
Other administrative expenses	1,278,795	1,057,764
	<u>2,670,535</u>	<u>2,211,648</u>

## 6. Operating profit

### *Arrived at after charging*

	<i>Six months ended 31 July 2017 £</i>	<i>Six months ended 31 July 2016 £</i>
Depreciation expense	14,109	15,582
Amortisation expense	175,442	175,442
Operating lease expense – property	140,955	83,554

## 7. Finance income and costs

	<i>Six months ended 31 July 2017 £</i>	<i>Six months ended 31 July 2016 £</i>
<b>Finance income</b>		
Interest income on bank deposits	16,512	15,534
<b>Finance costs</b>		
Interest on bank overdrafts and borrowings	(17,114)	(11,170)
Interest expense on other financing liabilities	(248,883)	(264,697)
<b>Total finance costs</b>	<u>(265,997)</u>	<u>(275,867)</u>
<b>Net finance costs</b>	<u>(249,485)</u>	<u>(260,333)</u>

## 8. Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	<i>Six months ended 31 July 2017 £</i>	<i>Six months ended 31 July 2016 £</i>
Wages and salaries	918,116	771,314
Social security costs	107,467	83,185
Pension costs, defined contribution scheme	35,651	24,807
	<u>1,061,234</u>	<u>879,306</u>

The average number of persons employed by the Group (including directors) during the period, analysed by category was as follows:

	<i>Six months ended 31 July 2017</i>	<i>Six months ended 31 July 2016</i>
Administration and support	40	34

## 9. Property, plant and equipment

	<i>Furniture, fittings and equipment £</i>
<b>Cost or valuation</b>	
At 1 February 2016	164,769
Additions	5,613
Disposals	–
At 31 July 2016	170,382
Additions	64,712
Disposals	(57,785)
At 31 January 2017	177,309
Additions	4,815
Disposals	–
At 31 July 2017	182,124
<b>Depreciation</b>	
At 1 February 2016	115,538
Charge for the period	15,582
At 31 July 2016	131,120
Charge for the period	19,620
Eliminated on disposal	(24,166)
At 31 January 2017	126,574
Charge for the period	14,109
At 31 July 2017	140,683
<b>Carrying amount</b>	
At 31 July 2017	41,441
At 31 January 2017	50,735
At 31 July 2016	39,262
At 1 February 2016	49,231

## 10. Intangible assets

	<i>Lawyer Relationships</i> £	<i>Goodwill</i> £	<i>Total intangibles</i> £
<b>Cost or valuation</b>			
At 31 January 2016, 2017 and 31 July 2017	3,508,840	4,807,411	8,316,251
<b>Amortisation</b>			
At 31 January 2016	453,224	–	453,224
Charge for six months ended 31 July 2016	175,442	–	175,442
At 31 July 2016	628,666	–	628,666
Charge for six months ended 31 January 2017	175,441	–	175,441
At 31 January 2017	804,107	–	804,107
Charge for six months ended 31 July 2017	175,442	–	175,442
At 31 July 2017	979,549	–	979,549
<b>Carrying amount</b>			
At 31 July 2017	2,529,291	4,807,411	7,336,702
At 31 January 2017	2,704,733	4,807,411	7,512,144
At 31 July 2016	2,880,174	4,807,411	7,687,585
At 31 January 2016	3,055,616	4,807,411	7,863,027

## 11. Investments

### **Company subsidiaries**

Details of the Company's subsidiaries as at 31 July 2017 are as follows:

<i>Name of subsidiary</i>	<i>Principal activity</i>	<i>Country of incorporation and principal place of business</i>	<i>Proportion of ownership interest and voting rights held by the group</i>	
			<i>2017</i>	<i>2016</i>
Keystone Law Limited*	Provision of legal services	England and Wales	100%	100%
Keystone Law (Guernsey) Limited	Dormant	England and Wales	100%	100%

\* indicates direct investment of the Company

## 12. Other financial assets

	<i>As at 31 July 2017</i> £	<i>As at 31 January 2017</i> £
<b>Non-current financial assets</b>		
Available-for-sale financial assets	13,628	13,628

Assets held for sale represent the value of the Group's investment in Keypoint Law Limited PTY, an Australian law firm.

### 13. Trade and other receivables

	<i>As at 31 July 2017 £</i>	<i>As at 31 January 2017 £</i>
Trade receivables	5,663,359	4,870,156
Provision for impairment of trade receivables	(1,037,843)	(697,843)
Net trade receivables	4,625,516	4,172,313
Receivables from related parties	69,976	29,307
Accrued income	4,835,201	3,888,999
Prepayments	383,240	465,850
Other receivables	802,338	727,157
<b>Total current trade and other receivables</b>	<b>10,716,271</b>	<b>9,283,626</b>

The fair value of those trade and other receivables classified as financial instrument loans and receivables are disclosed in the financial instruments note.

The Group's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in the financial risk management and impairment note.

Included within other receivables are unbilled disbursements of £679,807 (31 January 2017 – £604,326).

Trade receivables above include amounts (detailed below) due at the end of the reporting period and which an allowance for doubtful debts has not been recognised as the amounts are still considered recoverable and there hasn't been a significant change in credit quality.

#### **Age of trade receivables that are not impaired**

	<i>As at 31 July 2017 £</i>	<i>As at 31 January 2017 £</i>
7 to 30 days	2,820,255	2,172,482
31 to 60 days	872,373	921,923
61 to 90 days	333,782	426,542
91 to 120 days	198,563	232,761
3 to 6 months	184,232	151,100
6 months to 1 year	216,311	230,196
Over 1 year	–	37,309
	<u>4,625,516</u>	<u>4,172,313</u>
Average age (days)	<u>39</u>	<u>41</u>

The provision for impairment of trade receivables (analysed below) is the difference between the carrying value and the present value of the expected proceeds.

### Age of impaired trade receivables

	As at 31 July 2017 £	As at 31 January 2017 £
31 to 60 days	217,000	–
61 to 90 days	–	4,200
91 to 120 days	–	2,280
3 to 6 months	–	16,660
6 months to 1 year	354,191	265,607
Over 1 year	466,652	409,096
	<u>1,037,843</u>	<u>697,843</u>

### 14. Share capital

#### Allotted, called up and fully paid shares

	31 July 2017		31 January 2017	
	No.	£	No.	£
A Ordinary shares of £10 each	2	20.00	2	20.00
Ordinary shares of £0.00 each	428,573	428.57	428,573	428.57
Incentive Ordinary shares of £0.00 each	22,552	22.55	22,552	22.55
	<u>451,127</u>	<u>471.12</u>	<u>451,127</u>	<u>471.13</u>

#### Rights, preferences and restrictions

A Ordinary shares have the following rights, preferences and restrictions:

A Ordinary shares shall have no right to dividends and shall have no right to participate on a return of capital in liquidation or otherwise. A Ordinary shares will not carry any right to vote except if any holder of those shares is entitled to exercise in respect of all their shares in aggregate less than 5 per cent. of the total number of votes capable of being cast, in which case the number of votes conferred on the A Ordinary shares will be increased by such a number as shall entitle them to exercise 5 per cent. of the votes capable of being cast.

Ordinary shares have the following rights, preferences and restrictions:

Ordinary shares have attached to them full voting, dividend and capital distribution (on winding up) rights; they do not confer any rights of redemption.

Incentive Ordinary shares have the following rights, preferences and restrictions:

The Incentive shares shall have no right to vote.

### 15. Borrowings

	As at 31 July 2017 £	As at 31 January 2017 £
<b>Non-current loans and borrowings</b>		
Other borrowings	<u>5,771,427</u>	<u>5,771,427</u>
<b>Current loans and borrowings</b>		
Other borrowings	<u>1,200,000</u>	<u>1,200,000</u>

The loans and borrowings classified as financial instruments are disclosed in the financial instruments note.

The group's exposure to market and liquidity risk; including maturity analysis, in respect of loans and borrowings is disclosed in the financial risk management and impairment note.

## 16. Obligations under leases and hire purchase contracts

### Operating leases

The total future value of minimum lease payments is as follows:

	<i>As at</i> 31 July 2017 £	<i>As at</i> 31 January 2017 £
Within one year	278,415	200,683
In two to five years	1,028,925	745,668
In over five years	–	8,172
	<u>1,307,340</u>	<u>954,523</u>

The amount of non-cancellable operating lease payments recognised as an expense during the period was £140,955 (2016 – £83,554).

## 17. Pension and other schemes

### Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £35,651 (2016 – £24,807).

## 18. Other provisions

	<i>Dilapidations</i> <i>provision</i> £	<i>Total</i> £
At 31 January 2017 and 31 July 2017	75,000	75,000
Current liabilities	<u>75,000</u>	<u>75,000</u>

## 19. Trade and other payables

	<i>As at</i> 31 July 2017 £	<i>As at</i> 31 January 2017 £
Trade payables	4,085,556	3,811,518
Accrued expenses	5,358,819	4,401,957
Amounts due to related parties	–	–
Social security and other taxes	279,939	121,206
Other payables	–	4,057
	<u>9,724,314</u>	<u>8,338,738</u>

The fair value of the trade and other payables classified as financial instruments are disclosed in the financial instruments note.

The Group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk management and impairment note.

## 20. Financial instruments

In common with other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The significant accounting policies regarding financial instruments are disclosed in note 2.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in this note.

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

### Financial assets

#### Available-for-sale financial assets

	Fair value	
	As at 31 July 2017 £	As at 31 January 2017 £
Trade and other receivables	13,628	13,628
	<u>13,628</u>	<u>13,628</u>

### Loans and receivables

	Held at amortised cost	
	As at 31 July 2017 £	As at 31 January 2017 £
Cash and cash equivalents	1,892,638	714,266
Trade and other receivables	10,333,031	8,817,776
	<u>12,225,669</u>	<u>9,532,042</u>

### Financial liabilities

#### Financial liabilities at amortised cost

	Held at amortised cost	
	As at 31 July 2017 £	As at 31 January 2017 £
Trade and other payables	9,444,375	8,217,532
Borrowings	6,971,427	6,971,427
	<u>16,415,802</u>	<u>15,188,959</u>

There is no significant difference between the fair value and carrying value of financial instruments.



## **21. Financial risk management and impairment of financial assets**

### ***General objectives, policies and processes***

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's finance function. The board receives regular reports from the Finance Director through which it reviews the effectiveness of processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's competitiveness and flexibility. Further details regarding these policies are set out below:

### ***Credit risk and impairment***

Credit risk arises principally from the company's trade and other receivables. It is the risk that the counter party fails to discharge its obligation in respect of the instrument. The maximum exposure to credit risk equals the carrying value of these items in the financial statements.

Credit risk with cash and cash equivalents is reduced by placing funds with banks with high credit ratings.

### ***Liquidity risk***

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

The Board receives cash flow projections on a regular basis which are monitored regularly. The Board will not commit to material expenditure in respect of its ongoing development programme prior to being satisfied that sufficient funding is available to the Group to finance the planned programmes.

### ***Interest rate risk and fair value risk***

There is no significant interest rate risk in respect of temporary surplus funds invested in deposits and other interest-bearing accounts with financial institutions as the operations of the company are not dependent on the finance income received.

### ***Capital risk management***

The Group considers its capital to comprise its ordinary share capital and retained profits as its equity capital. In managing its capital, the Group's primary objective is to provide return for its equity shareholders through capital growth and future dividend income. Going forward the Group will seek to maintain a gearing ratio that balances risks 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. In making decisions to adjust its capital structure to achieve these aims, either through new share issues or the issue of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

Details of the Group's capital are disclosed in the Statement of Changes in Equity.

There have been no other significant changes to the Group's management objectives, policies and procedures in the year nor has there been any change in what the company considers to be capital.

### ***Currency risk***

The Company is not exposed to any significant currency risk. The company also manages its currency exposure by retaining its cash balances in sterling.

**PART V:**  
**ADDITIONAL INFORMATION**

**1. Responsibility**

The Company and the Directors, whose names appear on page 24 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. All of the Directors accept individual and collective responsibility for compliance with the AIM Rules for Companies.

**2. Incorporation and share capital**

**2.1 The Company**

- (a) The Company was incorporated in England and Wales on 13 May 2014 as a private company limited by shares under the Companies Act with the name Hamsard 3337 Limited and with registered number 9038082. On 30 October 2014, by a resolution of the Company, the name of the Company was changed to Keystone Law Group Limited.
- (b) On 13 November 2017, by a resolution of the Company, the Company was re-registered as a public company limited by shares and the name of the Company was changed to Keystone Law Group plc.
- (c) The Company's registered office is at 48 Chancery Lane, London WC2A 1JF. The Company's telephone number is 020 3319 3700.
- (d) The principal legislation under which the Company operates, and pursuant to which the Shares (including the New Shares) have been or will be created (as applicable), is the Companies Act and the subordinate legislation made under it.
- (e) The business of the Company and its principal activity is to act as the holding company of the Group.

**2.2 Share capital**

The share capital history of the Company is as follows:

- (a) on incorporation on 13 May 2014, the issued share capital of the Company was one ordinary share of £1.00 in nominal value;
- (b) on 17 October 2014, the one ordinary share of £1.00 in the capital of the Company was redesignated as one A ordinary share of £1.00 in the capital of the Company. 428,572 ordinary shares of £0.001 each (each, an "**Ordinary Share**") and 19 A ordinary shares of £1.00 were issued in the capital of the Company and there was a subsequent consolidation of the 20 A ordinary shares of £1.00 each into 2 A ordinary shares of £10.00 each (each, a "**A Share**") in the capital of the Company, bringing the aggregate nominal value of the issued share capital of the Company to £448.572;
- (c) on 6 October 2015, 4,511 incentive ordinary shares of £0.001 each (each, an "**Incentive Share**") were issued taking the aggregate nominal value of the issued share capital of the Company to £453.083, made up of 428,572 Ordinary Shares, 2 A Shares and 4,511 Incentive Shares;
- (d) on 1 December 2015, 18,041 Incentive Shares were issued taking the aggregate nominal value of the issued share capital of the Company to £471.124 made up of 428,572 Ordinary Shares, 2 A Shares and 22,552 Incentive Shares;
- (e) on 10 November 2017, each holder of Ordinary Shares and Incentive Shares was issued 110 bonus shares (credited as fully paid) for each existing share held, resulting in the issue of 47,142,920 Ordinary Shares and 2,480,720 Incentive Shares; and

- (f) as at the date of this document, the issued share capital of the Company comprises 47,571,492 Ordinary Shares, 2 A Shares and 2,503,272 Incentive Shares.

2.3 In connection with Admission, the Company will undertake a reorganisation of its share capital (the "**Reorganisation**"). The Reorganisation is conditional upon, and will be effective immediately prior to, Admission. Pursuant to the Reorganisation, the following steps will be undertaken:

- (a) the Ordinary Shares and Incentive Shares will be consolidated and split into ordinary shares of £0.002 each (each, a "**New Ordinary Share**") and a new class of redeemable deferred shares with a nominal value of £9.998 each (each, an "**IPO Deferred Share**") such that:
- (i) for every 2 Ordinary Shares, shareholders will receive 1 New Ordinary Share; and
  - (ii) for every 1 Incentive Share, shareholders will receive 0.49463 New Ordinary Shares and an additional number of IPO Deferred Shares;
- (b) the A Shares will be each subdivided into 1 New Ordinary Share and a number of IPO Deferred Shares; and
- (c) each of the IPO Deferred Shares will be redeemed by the Company at nominal value.

On completion of the Reorganisation and immediately prior to Admission, the aggregate nominal value of issued share capital of the Company will be £50,048, comprising 25,023,941 New Ordinary Shares.

2.4 Immediately following Admission, the aggregate nominal value of the Company's Enlarged Share Capital will be £62,548, comprising 31,273,941 Shares (all of which will be fully paid up or credited as fully paid up).

2.5 On 15 November 2017, by resolutions of the Company:

- (a) the Directors were generally and unconditionally authorised pursuant to section 551 of the Companies Act, to exercise all the powers of the Company to allot shares or grant rights to subscribe for or to convert any security into shares:
- (i) up to an aggregate nominal value of £62,548; and
  - (ii) up to an aggregate nominal value of £62,548 (such amount to be reduced by any allotments made under sub-paragraph (a) above) in connection with a rights issue in favour of the holders of Shares in proportion (as nearly as may be practicable) to their existing holdings on the record date for such allotment,

such power expiring at the conclusion of the first annual general meeting of the Company held after the date of passing of the resolution, save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority had not expired;

- (b) the Directors were empowered to allot equity securities (within the meaning of section 560(1) of the Companies Act) for cash pursuant to the authorities conferred in paragraph 2.5(a) above, pursuant to section 570 and section 573 of the Companies Act in substitution for all prior powers conferred upon them, but without prejudice to any allotments made pursuant to the terms of such powers, as if section 561(1) of the Companies Act did not apply to any such allotment, provided that this power shall be limited to:
- (i) the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities in favour of holders of Shares in proportion (as nearly as may be practicable) to their existing holdings and to holders of other equity securities as required by the rights attached to those securities or as the Directors otherwise consider necessary, but subject to such restrictions or other arrangements as the Directors deem necessary or appropriate in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange;
  - (ii) the allotment of Shares (other than under (i) above) up to an aggregate nominal amount of £3,127.39; and

- (iii) the allotment of equity securities representing up to a maximum of 10 per cent. of the issued ordinary share capital of the Company immediately following Admission  
  
such power expiring at the conclusion of the first annual general meeting of the Company held after the date of passing of the resolution, save that the Company may before the end of such period make an offer or agreement which would or might require equity securities to be allotted after expiry of the power and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired.
- 2.6 As at the date of this document, the Directors do not have any present intention of exercising the authorities referred to in paragraph 2.5 (a) and (b) above other than for the purpose of the Reorganisation and to issue the New Shares and Subscription Shares.
- 2.7 As at the date of this document, the Company does not have an authorised share capital and there is therefore no authorised but unissued share capital.
- 2.8 The Company does not have in issue any securities not representing share capital.
- 2.9 Save as set out in this Part V:
- (a) no share or loan capital of the Company is under option or is the subject of an agreement, conditional or unconditional, to be put under option;
  - (b) no person has any preferential subscription rights for any share capital of the Company;
  - (c) there are no shares in the capital of the Company currently in issue with a fixed date on which an entitlement to a dividend arises, and there are no arrangements in place whereby future dividends are waived or agreed to be waived;
  - (d) there are no shares of the Company held by or on behalf of itself or any member of the Group; and
  - (e) no commissions, discounts, brokerages, or other special terms have been granted by the Company since its incorporation in connection with the issue or sale of any share or loan capital of the Company.

### **3. Articles of Association**

The Articles, which were adopted by a special resolution of the Company on 27 November 2017 subject to and with effect from Admission, are available for inspection at the address specified in paragraph 2.1(c) of this Part V contain certain provisions, the material provisions of which are set out below. This is a description of significant rights and does not purport to be complete or exhaustive.

#### **3.1 Voting rights**

- (a) Subject to any special terms as to voting upon which any shares may be issued, or may for the time being be held and any restriction on voting referred to below, every Shareholder present in person, by proxy (regardless of the number of members for whom he is a proxy) or by a duly authorised corporate representative at a general meeting of the Company shall have one vote on a show of hands and, on a poll, every Shareholder present in person, by proxy, or by a duly authorised corporate representative shall have one vote for every Share of which he is the holder, proxy or representative.
- (b) The duly authorised representative of a corporate shareholder may exercise the same powers on behalf of that corporation as it could exercise as if it were an individual shareholder.
- (c) A Shareholder is not entitled to vote unless all calls or other sums due from him have been paid.
- (d) Unless the Board determines otherwise, a Shareholder is also not entitled to attend or vote at meetings of the Company in respect of any shares held by him in relation to which he or any other person appearing to be interested in such shares has been duly served with a notice under section 793 of the Companies Act and, having failed to comply with such notice within the period specified in such notice (being not less than 28 days from the date of service of such notice (or, where the shares represent at least 0.25 per cent. of their class, 14 days)), is served with a

disenfranchisement notice. Such disenfranchisement will apply only for so long as the notice from the Company has not been complied with or until the Company has withdrawn the disenfranchisement notice, whichever is the earlier.

### 3.2 **General meetings**

- (a) The Company must hold an annual general meeting each year in addition to any other general meetings held in the year. The Directors can call a general meeting at any time.
- (b) At least 21 clear days' written notice must be given for every annual general meeting. For all other general meetings, not less than 14 clear days' written notice must be given. The notice for any general meeting must state: (i) whether the meeting is an annual general meeting or general meeting; (ii) the date, time and place of the meeting; (iii) the general nature of the business of the meeting; (iv) if any resolution is to be proposed as a special resolution, the text of such resolution; and (v) that a member entitled to attend and vote is entitled to appoint one or more proxies to attend, to speak and to vote instead of him and that a proxy need not also be a member. All members who are entitled to receive notice under the Articles must be given notice.
- (c) Before a general meeting starts, there must be a quorum, being two members present in person or by proxy.
- (d) Each Director may attend and speak at any general meeting.
- (e) Where the Company has given an electronic address in any notice of meeting, any document or information relating to proceedings at the meeting may be sent by electronic means to that address, subject to any conditions or limitations specified in the relevant notice of meeting.

### 3.3 **Dividends and other distributions**

- (a) All dividends shall be paid in British pounds sterling.
- (b) Subject to the Companies Act, the Company may, by ordinary resolution, declare dividends to be paid to members of the Company according to their rights and interests in the profits of the Company available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board.
- (c) Subject to the Companies Act, the Board may from time to time pay to the Shareholders of the Company such interim dividends as appear to the Board to be justified by the profits available for distribution and the position of the Company, on such dates and in respect of such periods as it thinks fit.
- (d) Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide (no such shares presently being in issue), all dividends shall be apportioned and paid pro rata according to the amounts paid or credited as paid up (other than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid.
- (e) Any dividend unclaimed after a period of 12 years from the date of declaration shall be forfeited and shall revert to the Company.
- (f) The Board may, if authorised by an ordinary resolution, offer the holders of Shares the right to elect to receive additional Shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend.
- (g) The Board may withhold dividends payable on shares representing not less than 0.25 per cent. by number of the issued shares of any class (calculated exclusive of treasury shares) after there has been a failure to comply with any notice under section 793 of the Companies Act requiring the disclosure of information relating to interests in the shares concerned as referred to in paragraph 3.9 below.

### 3.4 **Return of capital**

On a voluntary winding-up of the Company, the liquidator may, with the sanction of a special resolution of the Company and subject to the Companies Act and the Insolvency Act 1986 (as amended), divide amongst the Shareholders of the Company in specie the whole or any part of the assets of the Company, or vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator, with the like sanction, shall determine.

### 3.5 **Transfer of Shares**

- (a) The Articles provide for shares to be held in a system for holding shares in uncertificated form (for example CREST), such shares being referred to as "Participating Securities". The Shares are freely transferable, save as set out in this paragraph 3.5.
- (b) In the case of shares represented by a certificate ("**Certificated Shares**"), the transfer shall be made by an instrument of transfer in the usual form or in any other form which the Board may approve. A transfer of a Participating Security need not be in writing, but shall comply with such rules as the Board may make in relation to the transfer of such shares, a CREST transfer being acceptable under the current rules.
- (c) The instrument of transfer of a Certificated Share shall be executed by or on behalf of the transferor and (in the case of a partly paid share) by or on behalf of the transferee, and the transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register of members.
- (d) The Board may refuse to register a transfer unless:
  - (i) in the case of a Certificated Share, the instrument of transfer, duly stamped (if required) is lodged at the registered office of the Company or at some other place as the Board may appoint accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require;
  - (ii) in the case of a Certificated Share, the instrument of transfer is in respect of only one class of share; and
  - (iii) in the case of a transfer to joint holders of a Certificated Share, the transfer is in favour of not more than four such transferees.
- (e) In the case of Participating Securities, the Board may refuse to register a transfer if the Uncertificated Securities Regulations 2001 (as amended) allow it to do so, and must do so where such regulations so require.
- (f) The Board may also decline to register a transfer of shares if they represent not less than 0.25 per cent. by number of their class and there has been a failure to comply with a notice requiring disclosure of interests in the shares (as referred to in paragraph 3.9 below) unless the Shareholder has not, and proves that no other person has, failed to supply the required information. Such refusal may continue until the failure has been remedied, but the Board shall not decline to register:
  - (i) a transfer in connection with a bona fide sale of the beneficial interest in any shares to any person who is unconnected with the Shareholder and with any other person appearing to be interested in the share;
  - (ii) a transfer pursuant to the acceptance of an offer made to all the Company's Shareholders or all the Shareholders of a particular class to acquire all or a proportion of the shares or the shares of a particular class; or
  - (iii) a transfer in consequence of a sale made through a recognised investment exchange or any stock exchange outside the UK on which the Company's shares are normally traded.

### 3.6 **Allotment**

The Company may from time to time pass an ordinary resolution authorising, in accordance with section 551 of the Companies Act, the Board to exercise all the powers of the Company to allot shares in the



Company or to grant rights to subscribe for or to convert any security into shares in the Company up to the maximum nominal amount specified in the resolution. The authority shall expire on the day specified in the resolution (not being more than five years from the date on which the resolution is passed).

Subject (other than in relation to the sale of treasury shares) to the Board being generally authorised to allot shares and grant rights to subscribe for or to convert any security into shares in the Company in accordance with section 551 of the Companies Act, the Company may from time to time resolve, by special resolution, that the Board be given power to allot equity securities for cash as if section 561 of the Companies Act did not apply to the allotment but that power shall be limited: (A) to the allotment of equity securities in connection with a rights issue; and (B) to the allotment (other than in connection with a rights issue) of equity securities having a nominal amount not exceeding in aggregate the sum specified in the special resolution.

### 3.7 **Variation of rights**

- (a) Where the share capital of the Company is divided into different classes of shares, the rights attached to any class of shares may, subject to the Companies Act, and any other act relating to companies be varied or abrogated in such a manner as those rights may provide for or, where no such provision is made:
  - (i) with the consent of the holders of not less than three fourths in the nominal value of the issued shares of that class; or (excluding any shares of that class held as treasury shares);
  - (ii) with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.
- (b) The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the Articles or the conditions of issue of such shares, be deemed to be varied by the creation or issue of new shares ranking *pari passu* therewith or subsequent thereto.

### 3.8 **Share capital and changes in capital**

- (a) Subject to and in accordance with the provisions of the Companies Act, the Company may issue redeemable shares.
- (b) Without prejudice to any special rights previously conferred on the holders of any existing shares, any share may be issued with such rights or such restrictions as the Company shall from time to time determine by ordinary resolution.
- (c) Subject to the provisions of the Articles and the Companies Act, the power of the Company to offer, allot and issue any shares lawfully held by the Company or on its behalf (such as shares held in treasury) shall be exercised by the Board at such time and for such consideration and upon such terms and conditions as the Board shall determine.
- (d) The Company may by ordinary resolution alter its share capital, in accordance with the Companies Act. The resolution may determine that, as between holders of shares resulting from a sub-division, any of the shares may have any preference or advantage or be subject to any restriction as compared with the others.
- (e) Subject to the Companies Act and to any rights conferred on the holders of any class of shares, the Company may purchase all or any of its own shares of any class (including any redeemable shares). The Company may only purchase Shares out of distributable reserves or the proceeds of a new issue of shares made for the purpose of funding the repurchase.

### 3.9 **Disclosure of interests in shares**

- (a) Section 793 of the Companies Act provides a public company with the statutory means to ascertain the persons who are, or have within the last three years been, interested in its relevant share capital and the nature of such interests. When a Shareholder receives a statutory notice of this nature, he or she has 28 days (or 14 days where the shares represent at least 0.25 per cent.

of their class) to comply with it, failing which the Company may decide to restrict the rights relating to the relevant shares and send out a further notice to the holder (known as a "**disenfranchisement notice**"). The disenfranchisement notice will state that the identified shares no longer give the Shareholder any right to attend or vote at a Shareholders' meeting or to exercise any other right in relation to Shareholders' meetings.

- (b) Once the disenfranchisement notice has been given, if the Directors are satisfied that all the information required by any statutory notice has been supplied, the Company shall, within not more than seven days, withdraw the disenfranchisement notice.
- (c) The Articles do not restrict in any way the provisions of section 793 of the Companies Act.

### 3.10 **Non-UK Shareholders**

Shareholders with addresses outside the UK are not entitled to receive notices from the Company unless they have given the Company an address within the UK at which such notices shall be served.

### 3.11 **Untraced Shareholders**

Subject to various notice requirements, the Company may sell any of a Shareholders' Shares in the Company if, during a period of 12 years, at least three dividends (either interim or final) on such shares have become payable and no cheque or warrant or other method of payment for amounts payable in respect of such Shares sent and payable in a manner authorised by the Articles has been cashed or effected and no communication has been received by the Company from the member or person concerned.

### 3.12 **Borrowing powers**

- (a) The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any of its undertaking, property and assets (present and future) and uncalled capital and, subject to any relevant statutes, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of the Company or any third party.
- (b) These borrowing powers may be varied by an alteration to the Articles. Any variation of the Articles would require a special resolution of the Shareholders.

### 3.13 **Directors**

- (a) Subject to the Companies Act, and provided he has made the necessary disclosures, a Director may be a party to or otherwise directly or indirectly interested in any transaction or arrangement with the Company or in which the Company is otherwise interested or a proposed transaction or arrangement with the Company.
- (b) The Board has the power to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a Director under section 175 of the Companies Act to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with, the interests of the Company. Any such authorisation will only be effective if the matter is proposed in writing for consideration in accordance with the Board's normal procedures, any requirement about the quorum of the meeting is met without including the Director in question and any other interested director and the matter was agreed to without such directors voting (or would have been agreed to if the votes of such directors had not been counted). The Board may impose terms or conditions in respect of its authorisation.
- (c) Save as mentioned below, a Director shall not vote in respect of any matter in which he has, directly or indirectly, any material interest (otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company) or a duty which conflicts or may conflict with the interests of the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.



- (d) A Director shall (in the absence of material interests other than those indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:
- (i) the giving of any guarantee, security or indemnity to him or any other person in respect of money lent to, or an obligation incurred by him or any other person at the request of or for the benefit of, the Company or any of its subsidiaries;
  - (ii) the giving of any guarantee, security or indemnity to a third party in respect of an obligation of the Company or any of its subsidiaries for which he himself has assumed any responsibility in whole or in part alone or jointly under a guarantee or indemnity or by the giving of security;
  - (iii) any proposal concerning his being a participant in the underwriting or sub-underwriting of an offer of shares, debentures or other securities by the Company or any of its subsidiaries;
  - (iv) any proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or Shareholder or otherwise, provided that he is not the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of such company (or of any corporate third party through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed to be a material interest in all circumstances);
  - (v) any arrangement for the benefit of employees of the Company (and/or the members of their families (including a spouse or civil partner or a former spouse or former civil partner) or any person who is or was dependent on such persons including but without being limited to a retirement benefits scheme and an employees' share plan) which does not accord to any Director any privilege or advantage not generally accorded to the employees to which such arrangement relates; and
  - (vi) any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for the benefit of any of the Directors or for persons who include Directors, provided that for that purpose "insurance" means only insurance against liability incurred by a Director in respect of any act or omission by him in the execution of the duties of his office or otherwise in relation thereto or any other insurance which the Company is empowered to purchase and/or maintain for, or for the benefit of any groups of persons consisting of or including, Directors.
- (e) The Directors shall be paid such remuneration (by way of salary, commission, participation in profits or otherwise) as any committee authorised by the Board may determine and either in addition to or in lieu of his remuneration as Director. The Directors shall also be entitled to be repaid by the Company all hotel expenses and other expenses of travelling to and from board meetings, committee meetings, general meetings or otherwise incurred while engaged in the business of the Company or his duties as Director, including the attendance of any spouse or civil partner where such spouse or civil partner accompanies a Director for the purpose of advancing the business of the Company. Any Director who by request of the Board performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine.
- (f) The Company may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, to or for the benefit of past directors who held executive office or employment with the Company or a predecessor in business of any of them or to or for the benefit of persons who are or were related to or dependants of any such Directors.
- (g) The Company may indemnify a Director and a director of an associated company (as defined in the Companies Act) against all losses and liabilities which they may sustain in the execution of the duties of their office, except to the extent that such an indemnity is not permitted by sections 232 or 234 of the Companies Act. Subject to sections 205(2) to (4) of the Companies Act, the Company may provide a Director (or a director of an associated company) with funds to meet his expenditure in defending any civil or criminal proceedings brought or threatened against him in relation to the Company. The Company may also provide a Director with funds to meet expenditure incurred in connection with proceedings brought by a regulatory authority.

- (h) At each annual general election, each Director who was appointed or last re-appointed (or is treated by virtue of the Companies Act as if he had been appointed) at or before the annual general meeting held in the calendar year which is three years before the current year, must retire from office.
- (i) There is no age limit for Directors.
- (j) Unless and until otherwise determined by ordinary resolution of the Company, the Directors (other than alternate Directors) shall not be less than two in number and not more than twelve.

#### 3.14 **Redemption**

The Shares are not redeemable.

#### 3.15 **Electronic communication**

The Company may communicate electronically with its members in accordance with the provisions of the Electronic Communications Act 2000.

### 4. **Directors' and other interests**

- 4.1 In addition to their directorships of the Company, the Directors held directorships and/or have been a partner in the following partnerships within the five years prior to the date of this document:

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships over the last five years</i>
James Knight	Keystone Law Limited Keystone Law (Guernsey) Limited	Audley Business Services Ltd
Ashley Miller	Keystone Law Limited	
Simon Philips	Mindzone Group Limited Big Clever Learning Limited Drum Cussac Group Limited Nyumbani UK Nyumbani UK and the Hotcourses Foundation Root Capital Capco 2 Limited Root Capital (Founder Partner) Limited Root Capital LLP Root Capital Support Services Limited	RC 2013 Limited RHHR Investments Limited I.G.G. Component Technology Limited Root Capital Capco 1 Limited Autocue Group Limited Right Hand Human Resources Limited Knowledgepool Group Limited
Peter Whiting	FDM Group (Holdings) plc Kenilworth Lawn Tennis & Squash Club Limited Microgen plc Whitingpod Limited	MBA Polymers Inc.
Robin Williams	26 Gledhow Gardens Limited NHS Professionals Limited Xaar plc Van Elle Holdings plc FIH Group plc	Baronsmead VCT 4 plc A H Worth and Company Limited Bio Products Laboratory Holdings Limited Bio Products Laboratory Limited NHS Property Services Limited Nanoco Group plc DCI Biologicals Inc.

4.2 At the date of this document, save as set out below, no Director:

- (a) has any unspent convictions in relation to any indictable offences;
- (b) has been bankrupt, or entered into an individual voluntary arrangement;
- (c) was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditor's voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors, save that:
  - (i) Simon Phillips is a director of Root Capital Capco 2 Limited which is currently in members' voluntary liquidation (liquidator appointed on 22 November 2012);
  - (ii) Simon Phillips was a director of I.G.G. Component Technology Limited when an administrator was appointed on 17 December 2008 and when it was placed into creditors voluntary liquidation on 27 November 2009 (dissolved on 23 February 2013);
  - (iii) Simon Phillips resigned as a director of Livementor Limited on 16 March 2006. The company went into creditors' voluntary liquidation in October 2006, approximately seven months following his resignation as a director. The company was later dissolved on 15 July 2008;
  - (iv) Simon Phillips resigned as a director of Maxim Learning Ltd on 16 March 2006. The company went into creditors' voluntary liquidation in October 2006, approximately seven months following his resignation as a director. The company was later dissolved on 7 November 2008;
  - (v) Simon Phillips was a director of Adval Group Plc when it entered administration on 31 August 2006. The administration orders were discharged on 11 June 2007 when the company entered creditors' voluntary liquidation. The company was later dissolved on 28 November 2008;
  - (vi) Simon Phillips was a director of Country Foods Limited when it entered administration on 6 December 2006. The administration orders were discharged on 1 December 2007 when the company went into creditors' voluntary liquidation. The Company was later dissolved on 8 February 2011;
  - (vii) Simon Phillips was a director of 7C Limited ("7C"), 7C (Holdings) Limited ("7C Holdings") and 7C (Pembroke) Limited ("7C Pembroke") when each company entered administration on 2 December 2002. The administration orders against each company were discharged on 15 February 2008. 7C Holdings, 7C Pembroke and 7C were later dissolved on 25 January 2011, 22 February 2011 and 13 March 2012 respectively; and
  - (viii) Robin Williams was previously a director of Killby & Gayford Group Limited. Killby & Gayford Group Limited entered into administration in April 2012, approximately seven months following Robin Williams' resignation as non-executive chairman. Killby & Gayford Group Limited traded profitably to the date of Robin Williams leaving and he was not involved in any preparation for or events leading up to the decision of the directors of Killby & Gayford Group Limited to enter administration;
- (d) has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- (e) has had his assets be the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or
- (f) has been subject to any public criticism by any statutory or regulatory authority (including any recognised professional body), nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

- 4.3 The interests of the Directors and their respective families (within the meaning of the AIM Rules) in the issued share capital of the Company immediately prior to and following Admission are as follows:

<i>Name</i>	<i>Following the Reorganisation and immediately prior to Admission</i>		<i>Immediately following Admission</i>	
	<i>Number of Shares</i>	<i>Percentage of Existing Share Capital</i>	<i>Number of Shares</i>	<i>Percentage of Enlarged Share Capital</i>
James Knight	13,082,127	52.3	11,832,127	37.83
Ashley Miller	247,672	0.99	247,672	0.79
Simon Phillips <sup>1</sup>	8,325,000	33.3	7,075,000	22.62
Peter Whiting	0	0	21,875	0.07
Robin Williams	0	0	12,500	0.04

<sup>1</sup> Simon Phillips is managing partner of Root Capital LLP which is the general partner of Root Capital, and he is also a limited partner in Root Capital.

- 4.4 Save as set out in this document:

- there are no outstanding loans or guarantees provided by any member of the Group to or for the benefit of any of Director, nor are there any loans, guarantees or related financial products provided by any Director for the benefit of any member of the Group;
- none of the Directors nor any member of their respective families (within the meaning of the AIM Rules) has any interest in the share capital of the Company;
- no Director has any option over or warrant or other right to subscribe for any shares in the Company; and
- none of the Directors nor any member of their respective families (within the meaning of the AIM Rules) holds or has held any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of Shares.

## 5. Significant shareholders

- 5.1 Immediately following Admission, to the extent known by the Company, it is expected that (in addition to the interests of the Directors set out in paragraph 4 above) the following persons will be interested (directly or indirectly) in 3 per cent. or more of the Company's Enlarged Share Capital:

<i>Name of Shareholder</i>	<i>Number of Shares</i>	<i>Percentage of Enlarged Share Capital</i>
Root Capital <sup>1</sup>	7,075,000	22.62
William Robins	1,563,698	5.00
River and Mercantile Asset Management Limited	1,500,000	4.80
Quantum Partners LP	1,500,000	4.80
The Stancroft Trust Limited	1,250,000	4.00
Fidelity Investment Services UK Limited	1,028,000	3.29

<sup>1</sup> Simon Phillips is managing partner of Root Capital LLP which is the general partner of Root Capital, and he is also a limited partner in Root Capital.

- 5.2 No Shareholder set out above has (nor will it have) voting rights attached to the Shares it holds which are different to those held by the other Shareholders.
- 5.3 The Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

## **6. Directors' service contracts and letters of appointment**

### **6.1 Executive Directors' service contracts**

#### *James Knight*

A service agreement dated 1 February 2017 (as amended by a deed of amendment dated 26 October 2017) between Keystone Law and James Knight under which the executive is employed as the Group's chief executive officer at a salary of £300,000 together with the following benefits: pension contributions, mobile telephone, life assurance up to the cost of £470 per month and the cost of a practising certificate with the Law Society. James Knight is entitled to 27 days holiday, excluding bank holidays. The service agreement is terminable on 12 months' written notice by either party. James Knight is subject to non-compete restrictive covenants for a period of six months following the termination of the service agreement, non-engagement with certain restricted clients, non-solicitation of certain restricted clients, non-deal with certain restricted clients and non-solicitation of key employees or consultants for a period of 9 months following the termination of the service agreement (or start of garden leave, if earlier) and confidentiality undertakings.

#### *Ashley Miller*

A service agreement dated 26 January 2015 (as amended by a deed of amendment dated 26 October 2017) between Keystone Law and Ashley Miller under which the executive is employed as the Group's chief financial officer at a salary of £108,160 plus a discretionary bonus capped at £10,000, together with the following benefits: pension contributions, mobile telephone and laptop, life assurance up to 4x salary and the cost of a practising certificate with the Institute of Chartered Accountants in England and Wales. Ashley Miller is entitled to 26 days holiday (rising by half a day per year of service to a maximum of 27 days holiday), excluding bank holidays. The service agreement is terminable on 3 months' written notice by either party. Ashley Miller is subject to non-compete and non-solicitation of key employees or consultants for a period of 12 months following the termination of the service agreement (or start of garden leave, if earlier) and confidentiality undertakings.

### **6.2 Non-Executive Directors' letters of appointment**

Peter Whiting and Robin Williams entered into letters of appointment with the Company pursuant to which they were each appointed as a Non-Executive Director on 26 October 2017, and Simon Philips entered into a letter of appointment reconfirming his appointment as a Non-Executive Director on 26 October 2017. The letters of appointment provide for payment of annual remuneration for each of the Non-Executive Directors as follows.

- (a) Simon Philips – £50,000<sup>1</sup>
- (b) Peter Whiting – £35,000
- (c) Robin Williams – £60,000

The fees payable to the Non-Executive Directors cover all duties, including any service on the board of any Group Company. Simon Philips has directed that the fees owed to him for his role as Non-Executive Director are payable to Root Capital LLP.

The letters of appointment for Simon Philips and Peter Whiting are terminable on one months notice by either party and in respect of Robin Williams, is terminable on three months' notice by either party. The Non-Executive Directors are subject to confidentiality restrictions following termination.

## **7. Employees**

As at the date of this document, the Group employed 35 full time equivalent employees, all of whom are based in London. For the avoidance of doubt, this excludes Keystone's self-employed lawyers.

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<sup>1</sup> Note that this fee comprises of both a fee payable to Simon Philips for his role as Non-Executive Director and a fee payable to Root Capital as a monitoring fee.

## 8. Selling Shareholders

The Company, Panmure Gordon and the Selling Shareholders have entered into the Selling Shareholders Agreement, whereby:

- (a) the Selling Shareholders have agreed, subject to certain conditions, to effect the sale of their Sale Shares at the Placing Price; and
- (b) Panmure has agreed, subject to certain conditions, to use its reasonable endeavours to procure purchasers for (or, failing which, purchase itself) the Sale Shares owned by the Selling Shareholders pursuant at the Placing Price.

Panmure's termination rights are customary for agreements of this nature and include, amongst others, breach of warranty or undertaking by any party giving such warranty or undertaking.

The following table contains details of the Selling Shareholders and the Sale Shares to be sold by them pursuant to the Placing:

<i>Name</i>	<i>Business Address</i>	<i>Number of Shares</i>	<i>Position, office or material relationship with the Group during the past 3 years</i>
James Knight	48 Chancery Lane, London WC2A 1JF	1,250,000	Shareholder/Director
Root Capital	4th Floor, 35 New Bridge Street, London, EC4V 6BW	1,250,000	Shareholder
Charles Stringer	48 Chancery Lane, London WC2A 1JF	625,000	Shareholder/Director

## 9. Placing Agreement

On 16 November 2017, the Company and the Directors entered into the Placing Agreement with Panmure Gordon. Pursuant to the Placing Agreement:

- (a) the Company has appointed Panmure Gordon as its agent, subject to certain conditions, to use its reasonable endeavours to procure subscribers for the New Shares at the Placing Price;
- (b) the Company has agreed to pay or reimburse Panmure Gordon the costs and expenses incurred in connection with the Placing of the New Shares and Admission, and the following fees and commissions:
  - (i) Panmure Gordon will receive a corporate finance fee of £225,000; and
  - (ii) Panmure Gordon will receive a commission of 3.75 per cent. of an amount equal to the number of New Shares multiplied by the Placing Price.
- (c) the obligations of Panmure Gordon under the Placing Agreement are subject to certain conditions which are customary in an agreement of this nature;
- (d) the Placing Agreement contains provisions entitling Panmure Gordon to terminate the agreement and the Placing (and the arrangements associated with it) at any time prior to Admission in certain circumstances. Panmure Gordon's termination rights are customary for agreements of this nature and include, amongst others, material adverse change, breach of warranty or undertaking by any party giving such warranty or undertaking, any statement in this document being untrue or incorrect and non-compliance by the other parties with any obligation contained in the Placing Agreement;
- (e) each of the Company and the Directors has given certain warranties and undertakings to Panmure Gordon. The liability of the Company in respect of its obligations under the Placing Agreement is unlimited as to the amount. The liabilities of the Directors are limited as to the amount and time; and
- (f) the Company has given certain indemnities to Panmure Gordon on customary terms and certain warranties and undertakings regarding compliance with certain laws and regulations affecting the making of the Placing in relevant jurisdictions.

## 10. Material contracts

Set out below is a summary of: (a) each material contract (other than a contract in the ordinary course of business) to which the Company or another member of the Group is a party which has been entered into



within the two years immediately preceding the date of this document; and (b) any other contract (other than a contract in the ordinary course of business) entered into by the Company or another member of the Group which contains a provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document.

#### 10.1 **Placing Agreement**

Details of the Placing Agreement are set out in paragraph 9 above.

#### 10.2 **Selling Shareholders Agreement**

Details of the Selling Shareholders Agreement are set out in paragraph 8 above.

#### 10.3 **Relationship Agreement**

On 16 November 2017, James Knight and Root Capital (the "**Substantial Shareholders**") entered into the Relationship Agreement with the Company and Panmure Gordon. The principal purpose of the Relationship Agreement is to ensure that the Company is capable at all times of carrying on its business independently of the Substantial Shareholders and their respective associates.

The Relationship Agreement takes effect from Admission. The Relationship Agreement may be terminated by either of the Substantial Shareholders in respect of themselves if they (together with their associates) do not hold 10 per cent. or more of total voting rights in the Company. In the event that after such date they do hold 10 per cent. or more, then the Relationship Agreement will again have effect. The Relationship Agreement may also be terminated by the Company or either of the Substantial Shareholders if the Shares have ceased to be admitted to trading on AIM, or certain steps have been taken relating to the winding up of the Company, arrangements with the Company's creditors or the appointment of a receiver in respect of the Company's assets.

Under the Relationship Agreement each of the Substantial Shareholders have undertaken that, for so long as they (together with their respective associates) hold 10 per cent. or more of total voting rights in the Company, they will (and will procure that their respective associates will), among other things:

- (a) ensure that the Group shall be managed for the benefit of the Shareholders as a whole and independently of themselves and their respective associates;
- (b) ensure that all transactions, and arrangements with the Company and any other member of the Group on an arm's length basis and on normal commercial terms;
- (c) not take any action that would have the effect of preventing the Company or any other member of the Group from complying with its obligations under the AIM Rules for Companies or other applicable law;
- (d) not influence or seek to influence the running of the Company or any member of the Group at an operational level (it being acknowledged that this will not prevent James Knight or Simon Phillips, as the nominee director of Root Capital, from exercising their duties as Directors); and
- (e) not exercise any of their respective voting or other rights and powers to cancel the Company's admission to trading on AIM.

Under the Relationship Agreement, for so long as Root Capital (together with its associates) exercises or controls 10 per cent. or more of total voting rights in the Company, it has the right to appoint one nominee director of the Company, who, as at the date of this document and as at Admission, shall be Simon Phillips.

#### 10.4 **Lock-in Agreement**

On 16 November 2017, the Lock In Shareholders entered into a lock in deed with the Company and Panmure Gordon under which the Lock In Shareholders have undertaken to Panmure Gordon and the Company (subject to certain exceptions) not to dispose of any interest in any of their Shares until the first anniversary of Admission. The Lock In Shareholders have further undertaken to observe certain orderly market restrictions with respect to the disposal of such Shares in the period of 12 months following the first anniversary of Admission.

### 10.5 **Nominated Adviser and Broker Agreement**

On 16 November 2017, the Company and Panmure Gordon entered into an agreement pursuant to which Panmure Gordon has agreed to act as nominated adviser and broker to the Company following Admission as required by the AIM Rules. Panmure Gordon will, *inter alia*, assist the Company with complying with the AIM Rules for Companies. The Company has agreed to pay Panmure Gordon an annual fee as well as reasonable out of pocket expenses. The agreement is renewable annually subject to termination at any time on 3 months' notice given by either Panmure Gordon or the Company. The agreement also contains an indemnity given by the Company to Panmure Gordon in relation to the provision by Panmure Gordon of its services under the agreement.

### 10.6 **Share Purchase Agreement**

On 17 October 2014, the Company entered into a share purchase agreement (the "**SPA**") with (1) James Knight, (2) Charles Stringer and (3) William Robins (together, the "**Sellers**"), in relation to the purchase by the Company of the entire issued share capital of Keystone Law. The consideration payable by the Company under the SPA was £9,000,000, which was satisfied by the issue of the Loan Notes to the Sellers totalling £5,571,427 (these remain outstanding as specified in clause 9.7) and the issue of shares in the Company with a value of £278,573 to certain of the Sellers and payment of cash with a value of £3,150,000 to certain of the Sellers (the issue of shares in the Company, the Loan Notes and cash consideration funded by, *inter alia*, 100 per cent. of the share capital of Keystone Law, an equity subscription by Root Capital of £150,000 and a subscription of Loan Notes by Root Capital totalling £3,000,000, as set out in paragraph 10.7 below). The SPA contained usual and customary warranties given by the Sellers, of which the general warranty and indemnity periods have expired. The only routes of claim left available to the Company against the Sellers would therefore be any claims made under the tax covenant and tax warranties contained in the SPA (which can be pursued until 17 October 2018).

### 10.7 **Investment Agreement**

On 17 October 2014, Root Capital entered into an investment agreement (the "**Investment Agreement**") with (1) James Knight, (2) Charles Stringer and (3) William Robins (together, the "**Managers**"). The Investment Agreement documented the terms of the investment by Root Capital and certain members of the Group's management team into the Company, Root Capital and the Managers invested sums by way of ordinary share capital (£150,000 and £278,573 respectively) and the Loan Notes (£3,000,000 and £5,571,427 respectively).

Customary warranties were given by the Managers and the Investment Agreement contains a customary extensive list of matters reserved for the consent of Root Capital. The Investment Agreement will be terminated prior to, and conditional on, Admission.

### 10.8 **Loan Note Instrument**

The Company executed a loan note instrument on 17 October 2014 pursuant to which it issued the Loan Notes, to the persons as set out below. The Loan Notes will become immediately payable on Admission, and be repaid out of the Placing proceeds.

<i>Name</i>	<i>Principal Amount of Loan Notes</i>	<i>Accrued interest as at 16 November 2017</i>
James Knight	£3,174,285	£879,705
William Robins	£288,571	£79,973
Charles Stringer	£288,571	£79,973
Root Capital Fund II Limited Partnership	£2,020,000	£559,812
<b>Total</b>	<b>£5,771,427</b>	<b>£1,599,463</b>

## 11. **Litigation**

There are no and have been no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Company or the Group is aware) during the 12 months



preceding the date of this document, which may have, or in the recent past have had, a significant effect on the Company's and/or the Group's financial position or profitability.

## 12. Investments, subsidiaries and principal establishments

12.1 Save as set out in paragraph 12.3, the Company currently has no principal investments (in progress or planned for the future on which the Directors have made firm commitments or otherwise) other than the subsidiary undertakings listed below.

12.2 The principal subsidiaries and subsidiary undertakings of the Company are:

<i>Name</i>	<i>Place of incorporation</i>	<i>Percentage ownership interest by the Group</i>	<i>Principal activity</i>
Keystone Law Limited	England and Wales	100	Provision of legal services
Keystone Law (Guernsey) Limited	England and Wales	100	Dormant

12.3 Keystone Law is a 14 per cent. shareholder in Keypoint Law Pty Limited, a company incorporated and registered in Australia.

## 13. Related party transactions

Save as set out in note 23 to the Historical Financial Information, there are no related party transactions that were entered into by members of the Group during the period covered by the Historical Financial Information contained in Part III of this document and during the period from 1 February 2017 to the date of this document.

## 14. Taxation

**The following statements are intended only as a general guide to certain UK tax considerations relevant to prospective investors in the Shares. They do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Shares. They are based on current UK tax law and what is understood to be the current published practice (which may not be binding) of HMRC as at the date of this document, both of which are subject to change, possibly with retrospective effect. The following statements relate only to Shareholders who are resident (and, in the case of individuals, resident and domiciled) for tax purposes in (and only in) the UK (except in so far as express reference is made to the treatment of non-UK residents), who hold their Shares as an investment (other than in an individual savings account or pension arrangement) and who are the absolute beneficial owners of both the Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules, such as persons who acquire (or are deemed to acquire) their Shares in connection with their (or another person's) office or employment, traders, brokers, dealers in securities, insurance companies, banks, financial institutions, investment companies, tax-exempt organisations, persons connected with the Company or the Group, persons holding Shares as part of hedging or conversion transactions, Shareholders who are not domiciled or not resident in the UK, collective investments schemes, trusts and those who hold 5 per cent. or more of the Shares, is not considered. Nor do the following statements consider the tax position of any person holding investments in any HMRC-approved arrangements or schemes, including the enterprise investment scheme, venture capital scheme or business expansion scheme, able to claim any inheritance tax relief or any non-UK resident Shareholder holding Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or, in the case of a corporate Shareholder, a permanent establishment or otherwise).**

**Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.**

## 14.1 **Taxation of dividends**

The Company is not required to withhold tax at source when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a shareholder.

### *UK resident individual Shareholders*

Under current UK tax rules, specific rates of tax apply to dividend income. As of 1 April 2016, the notional dividend tax credit system was abolished. Instead, there is a nil rate of tax (the "**nil rate band**") for the first £5,000 of dividend income received by an individual Shareholder who is resident for tax purposes in the UK in any tax year. It was announced in the Spring Budget 2017 that the nil rate band will reduce to £2,000 from 6 April 2018, however this change has not yet been substantially enacted by law. Dividend income in excess of the nil rate band (taking account of any other dividend income received by the Shareholder in the same tax year) will be taxed at the following rates: 7.5 per cent. (to the extent that it falls below the threshold for higher rate income tax); 32.5 per cent. (to the extent that it falls above the threshold for higher rate income tax and is below the additional rate band); and 38.1 per cent. (to the extent that it is within the additional rate). For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a Shareholder's income. In addition, dividends within the nil rate band which would (if there was no nil rate band) have fallen within the basic or higher rate bands will use up those bands respectively for the purposes of determining whether the threshold for higher rate or additional rate income tax is exceeded.

### *UK resident corporate Shareholders*

A UK resident corporate shareholder will be liable to UK corporation tax unless the dividend falls within one of the exempt classes set out in Part 9A of the Corporation Tax Act 2009. It is anticipated that dividends should fall within one of such exempt classes (subject to anti-avoidance rules and provided all conditions are met).

If the conditions for exemption are not, or cease to be, satisfied, or such a Shareholder elects for an otherwise exempt dividend to be taxable, the Shareholder will be subject to UK corporation tax on dividends received from the Company at 19 per cent. (17 per cent. from 1 April 2020).

Shareholders within the charge to UK corporation tax are advised to consult their independent professional tax advisers to determine whether dividends received will be subject to UK corporation tax.

### *Other shareholders*

The annual tax free dividend allowance of £5,000 available to individuals will not be available to UK resident trustees of a discretionary trust. From 6 April 2016, UK resident trustees of a discretionary trust in receipt of dividends are liable to income tax at a rate of 38.1 per cent., which mirrors the dividend additional rate.

Generally, non-UK residents will not be subject to any UK taxation in respect of UK dividend income. Non-UK resident shareholders may be subject to tax on UK dividend income under any law to which that person is subject outside the UK. Non-UK resident shareholders should consult their own tax advisers with regard to their liability to taxation in respect of the cash dividend.

## 14.2 **Taxation of chargeable gains**

Any gains on transfers or disposals of Shares (including a disposal on a winding-up of the Company) by UK resident Shareholders or Shareholders who carry on a trade in the UK through a permanent establishment with which their investment in the Company is connected may, depending on their circumstances, give rise to a liability to UK tax on capital gains.

### *UK resident individual Shareholders*

UK resident Shareholders who are individuals (or otherwise not within the charge to UK corporation tax) and who are basic rate taxpayers are currently subject to tax on their chargeable gains at a flat rate of 10 per cent. Individuals who are higher or additional rate taxpayers are currently subject to tax on their chargeable gains at a flat rate of 20 per cent.

No indexation allowance will be available to such Shareholders but they may be entitled to an annual exemption from capital gains to the extent this has not been used against other gains, and any other tax reliefs available such as existing capital losses.

For trustees and personal representatives of deceased persons, capital gains tax on gains in excess of the current annual exempt amount will be charged at a flat rate of 20 per cent.

Shareholders who are individuals and who are temporarily non-resident in the UK may, under anti-avoidance legislation, still be liable to UK tax on any capital gain realised (subject to any available exemption or relief).

#### *UK resident corporate Shareholders*

Shareholders within the charge to UK corporation tax may be subject to corporation tax on chargeable gains arising on a disposal of Shares, depending on the circumstances and subject to any available exemption or relief. Indexation allowance may apply to reduce any chargeable gain arising on disposal of the Shares.

Corporation tax is charged on chargeable gains at the rate applicable to that company at the date of disposal. Such tax would be applied at one the relevant corporation tax rates already stated above, depending on the timing of the disposal.

### 14.3 **Stamp duty and stamp duty reserve tax (“SDRT”)**

The following comments are intended as a guide to the general UK stamp duty and SDRT position and do not relate to person such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services to whom special rules apply.

No stamp duty or SDRT should be payable on the issue of Shares.

AIM qualifies as a recognised growth market for the purposes of the UK stamp duty and SDRT legislation. Therefore, for so long as the Shares are admitted to trading on AIM and are not listed on any other market (and being admitted to trading on AIM will not constitute a listing for these purposes) no charge to UK stamp duty or SDRT should arise on their subsequent transfer.

If the Shares do not qualify for this exemption their transfer on sale will be subject to stamp duty (ordinarily payable by the purchaser and generally at the rate of 0.5 per cent. of the consideration given subject to a de minimis limit) save in respect of shares held in a clearance service or in a depository receipt arrangement in respect of which other provisions may apply.

Shareholders and prospective investors should consult their own professional advisers on whether an investment in an AIM security is suitable for them. Companies whose shares trade on AIM are deemed to be unlisted for the purposes of certain areas of UK taxation.

**THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PROSPECTIVE INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE SHARES IN LIGHT OF THE INVESTOR’S OWN CIRCUMSTANCES.**

## 15. Takeover Code, ‘squeeze out’ and ‘sell out’

### 15.1 **Mandatory takeover bids**

The Company is subject to the Takeover Code. Brief details of the Panel, the Takeover Code and the protections they afford are described below. The Takeover Code is issued and administered by the Panel. The Takeover Code applies to all takeover and merger transactions, however effected, where the offeree company is, *inter alia*, a listed public company resident in the United Kingdom. The Company is a public company resident in the United Kingdom and its shareholders are therefore entitled to the protections afforded by the Takeover Code. Under Rule 9 of the Takeover Code a person who acquires, whether by a single transaction or by a series of transactions over a period of time,

interests in shares which (taken with interests in shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of a company, is normally required to make a cash offer for all the outstanding shares of that company at not less than the highest price paid by him or them or any persons acting in concert during the offer period and in the 12 months prior to its commencement. This requirement would also be triggered by an acquisition of interests in shares by a person holding (together with its concert parties) interests in shares carrying not less than 30 per cent. of the voting rights but does not hold shares carrying more than 50 per cent. of the voting rights in the company if the effect of such acquisition were to increase that person's percentage of the voting rights.

Rule 9 of the Takeover Code further provides, among other things, that where any person who, together with persons acting in concert with him holds over 50 per cent. of the voting rights of a company, acquires an interest in shares which carry additional voting rights, then they will not generally be required to make a general offer to the other shareholders to acquire the balance of their shares. However, individual members of a concert party will not be able to increase their percentage interest in shares through or between a Rule 9 threshold without Panel consent. For the purposes of the Takeover Code, persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), cooperate to obtain or consolidate control of a company. Paragraph (9) of the definition of 'acting in concert' also deems any shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the Takeover Code applies to be acting in concert for the purposes of the Takeover Code unless the contrary is established.

For the purpose of Rule 9 of the Takeover Code, the Panel has confirmed that it considers Charles Stringer and James Knight (the "**Concert Party**") to be acting in concert by virtue of paragraph (9) of the definition of 'acting in concert' in the Takeover Code (which creates a presumption that shareholders in a private company who, following the re-registration of that company as a public company, become shareholders in a company to which the Takeover Code applies, are acting in concert). Following Admission, the Concert Party will control approximately 39.6 per cent. of voting rights of the Company.

## 15.2 **Squeeze out**

Under the Companies Act, if a "**takeover offer**" (as defined in section 974 of the Companies Act) is made for the Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the Shares to which the takeover offer relates (the "**Takeover Offer Shares**") and not less than 90 per cent. of the voting rights attached to the Takeover Offer Shares within three months of the last day on which its offer can be accepted, it could acquire compulsorily the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will acquire compulsorily their Takeover Offer Shares and then, six weeks later, it would execute a transfer of the outstanding Takeover Offer Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the outstanding Shareholders. The consideration offered to the Shareholders whose Takeover Offer Shares are acquired compulsorily under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

## 15.3 **Sell-out**

The Companies Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer relates to all the Shares and at any time before the end of the period within which the offer could be accepted the offeror holds or has agreed to acquire not less than 90 per cent. of the Shares (being voting shares that carry voting rights in the Company), any holder of Shares to which the offer relates who has not accepted the offer is entitled by a written communication to the offeror to require it to acquire its Shares. The offeror is required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, the giving notice. If a Shareholder exercises his other rights, the offeror is bound to acquire those Shares on the terms of the offer or on such other terms as may be agreed.

## 16. **Working capital**

In the opinion of the Directors, having made due and careful enquiry and taking into account the existing cash resources and the proceeds of the Placing, the working capital available to the Company and the Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

## **17. Significant change**

Save as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 31 July 2017, being the date to which the Unaudited Interim Financial Information of the Group as set out in Part IV of this document was prepared.

## **18. General**

- (a) Where information which appears in this document has been sourced from a third party, the information has been accurately reproduced. As far as the Directors and the Company are aware and able to ascertain from such information supplied or published by a third party, no facts have been omitted which would render any reproduced information false, inaccurate or misleading.
- (b) Panmure Gordon, which is regulated by the Financial Conduct Authority, in its capacity as Nominated Adviser and Broker to the Company has given and has not withdrawn its written consent to the inclusion in this Document of its name in the form and context in which it appears.
- (c) The total expenses of and incidental to the Admission and Placing, are estimated to amount to approximately £1.0 million (excluding VAT).
- (d) The auditors of the Company are RSM UK Audit LLP, chartered accountants and registered auditors. Hazlewoods LLP, whose registered offices are at Staverton Court, Staverton, Cheltenham, Gloucestershire, GL51 0UX, have audited the accounts for the Group (in each case as constituted at that time) for each of the two financial years ended 31 January 2016 and 31 January 2017. Defries Weiss (Accountants) Limited, whose registered offices are at 311 Ballards Lane, London, N12 8LY, audited the accounts of the Group for the financial year ended 31 January 2015. RSM UK Audit LLP are members of the Institute of Chartered Accountants of Scotland. Hazlewoods LLP and Defries Weiss (Accountants) Limited are members of the Institute of Chartered Accountants in England and Wales.
- (e) The financial information set out in this Document does not constitute statutory accounts within the meaning of section 434 of the Act. Statutory accounts have been delivered to the registrar of companies for the periods ended 31 January 2015, 31 January 2016 and 31 January 2017. Auditors' reports in respect of each statutory accounts have been made under section 495 of the Act and each such report was an unqualified report and did not contain any statement under section 498(2) or (3) of the Act.
- (f) The Company's registrar and paying agent for the payment of dividends is Computershare Investor Services plc of The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ.
- (g) Except for fees payable to the professional advisers and payments to trade suppliers and as otherwise set out in this document, no person has received any fees, securities in the Company or other benefit to a value of £10,000 or more, whether directly or indirectly, from the Company within the 12 months preceding the application for Admission, or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or other benefit on or after Admission.
- (h) Other than the current application for Admission, the Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for dealings in the Shares.

## **19. Documents available for inspection**

Copies of this document will be available free of charge from Admission during usual business hours from the Company's registered office and at the offices of Panmure Gordon, One New Change, London EC4M 9AF, for a period of one month from Admission. The documents will also be available for inspection on the Company's website at [www.keystonelaw.co.uk](http://www.keystonelaw.co.uk)

Dated: 16 November 2017

## PART VI

### TERMS AND CONDITIONS OF THE PLACING

For invited placees only – Important Information

The information contained in this Part VI is restricted. Subject to certain limited exceptions, it is not for publication, release or distribution in or into the United States. It is not for publication, release or distribution in or into any province of Canada, Australia, the Republic of South Africa or Japan or any other jurisdiction in which publication, release or distribution would be unlawful.

Each Placee should consult with its own advisers as to legal, tax, business and related aspects in relation to any acquisition of Placing Shares.

#### 1. INTRODUCTION

- 1.1 These terms and conditions ("**Terms and Conditions**") apply to persons making an offer to acquire Placing Shares under the Placing.
- 1.2 Each person to whom these Terms and Conditions apply, as described above, who confirms its agreement (whether by telephone or otherwise) to Panmure Gordon to acquire Placing Shares (which may include Panmure Gordon or its nominee(s)) (a "**Placee**") hereby agrees with the Company and Panmure Gordon to be bound by these Terms and Conditions with respect to its subscription of Placing Shares under the Placing. A Placee shall, without limitation, become irrevocably bound by these Terms and Conditions if Panmure Gordon confirms its allocation of Placing Shares, whether by contract note or otherwise.

#### 2. SUMMARY OF THE PLACING

- 2.1 The Placing Price is 160 pence per Placing Share and the Placing comprises the issue by the Company of 5,854,534 New Shares and the sale by the Selling Shareholders of 3,125,000 Sale Shares (together the Placing Shares).
- 2.2 All New Shares issued pursuant to the Placing will be issued, payable in full, at the Placing Price.
- 2.3 The Placing is subject to satisfaction of the conditions set out in the Placing Agreement and the Selling Shareholders' Agreement, including Admission occurring and becoming effective by no later than 8.00 a.m. on 27 November 2017 or such later time and/or date as the Company and Panmure Gordon may agree, being not later than 8.00 a.m. on 4 December 2017, and to the Placing Agreement and the Selling Shareholders' Agreement not having been terminated in accordance with its terms.
- 2.4 Application has been made to the London Stock Exchange for the Shares to be admitted to AIM. It is expected that Admission will take place and dealings in the Shares will commence on AIM at 8.00 a.m. (London time) on 27 November 2017.
- 2.5 The Placing Shares will rank *pari passu* in all respects with the Existing Shares and will rank in full for all dividends and other distributions after Admission declared, made or paid on the ordinary share capital of the Company. Further details of the rights attached to the Placing Shares are set out in paragraph 2 of Part V of this document.
- 2.6 The Placing Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. The Placing Shares may not be offered or sold, directly or indirectly, in, into or within the United States or to or for the account or benefit of any persons within the United States except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.



- 2.7 Certain restrictions that apply to the distribution of this Admission Document and the Placing Shares being issued or sold under the Placing in jurisdictions outside the United Kingdom are described in paragraph 3 below headed "Selling and Transfer Restrictions".

### **3. SELLING AND TRANSFER RESTRICTIONS**

#### **3.1 General**

The distribution of this document and the offer of Placing Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been, or will be, taken in any jurisdiction that would permit a public offering of the Placing Shares, or possession or distribution of this Admission Document or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Placing Shares may not be offered or sold, directly or indirectly, and neither this Admission Document nor any other offering material or advertisement in connection with the Placing Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction.

This document and these Terms and Condition do not constitute an offer or invitation to acquire, underwrite or dispose of, or any solicitation of any offer or invitation to acquire, underwrite or dispose of, any Shares or other securities of the Company to any person in any jurisdiction to whom it is unlawful to make such offer, invitation or solicitation in such jurisdiction. Persons who seek to participate in the Placing must inform themselves about and observe any such restrictions and must be persons who are able to lawfully receive this document in their jurisdiction. Any failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction. Subject to certain limited exceptions, neither this document nor these Terms and Conditions constitutes an offer or invitation (or a solicitation of any offer or invitation) to acquire, underwrite or dispose of or otherwise deal in any Shares or other securities of the Company in the United States. Neither this document nor these Terms and Conditions constitutes an offer or invitation (or a solicitation of any offer or invitation) to acquire, underwrite or dispose of or otherwise deal in any Shares or other securities of the Company in Canada, Australia, the Republic of South Africa or Japan, or in any other jurisdiction in which any such offer, invitation or solicitation is or would be unlawful.

#### **3.2 Members of the public**

Members of the public are not eligible to take part in the Placing.

#### **3.3 Persons in the United Kingdom**

In the United Kingdom this document (including these Terms and Conditions) is only being distributed to persons to, and is directed only at: persons who are "qualified investors" (within the meaning of Article 2(1)(e) of the EU Prospectus Directive 2003/71/EC including any relevant measure in each member state of the European Economic Area ("**Member State**") that has implemented the directive (the "**Prospectus Directive**") and who are persons who (i) are persons who have professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "**Order**"); (ii) are high net worth companies, unincorporated associations, and other bodies within the meaning of Article 49(2)(a) to (d) of the Order or (iii) are persons to whom it may otherwise be lawfully communicated (all such persons together being referred to as "**Relevant Persons**"). It is not directed at and may not be relied on by anyone other than a Relevant Person. Any investment or investment activity to which these terms and conditions relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. By receiving this document and/or by accepting a Placing participation a Placee in the United Kingdom is deemed to represent and warrant to the Company and Panmure Gordon that it is a Relevant Person and agrees to comply with the contents of these Terms and Conditions.

### 3.4 **European Economic Area**

In relation to each Member State, no Shares have been offered, or will be offered, to the public in a Member State, prior to the publication of a prospectus in relation to Shares which has been approved by the competent authority in that member State, all in accordance with the Prospectus Directive, except that an offer to the public in that Member State of any Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Member State:

- (a) to any legal entity which is a "qualified investor" as defined under the Prospectus Directive;
- (b) to fewer than 100, or, if that Member State has implemented the relevant provisions of the 2010 Prospectus Amending Directive (Directive 2010/73/EC), 150 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive) per Member State, subject to obtaining the prior consent of Panmure Gordon; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the Company or Panmure Gordon to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplemental prospectus pursuant to Article 16 of the Prospectus Directive and each person in a Member State who initially acquires any Shares or to whom any offer is made under the Placing will be deemed to have represented, warranted and agreed to and with the Company and Panmure Gordon that it is a "qualified investor" within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospectus Directive. Notwithstanding the above, a person who is not a qualified investor and who has notified Panmure Gordon of such fact in writing may, with the consent of Panmure Gordon, be permitted to acquire Shares in the Placing.

For the purposes of this provision, the expression an "offer to the public" in relation to any Shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the Placing and any Shares so as to enable an investor to decide to acquire any Shares, as the same may be varied for that Member State by any measure implementing the Prospectus Directive in that Member State.

In the case of Placing Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Placing Shares acquired by it in the Placing have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Placing Shares to the public other than their offer or resale in a Member State to qualified investors as so defined or in circumstances in which the prior consent of Panmure Gordon has been obtained to each such proposed offer or resale.

The Company, Panmure Gordon and their respective affiliates, representatives and others will rely upon the truth and accuracy of the foregoing representation, warranty, acknowledgement and agreement.

### 3.5 **United States**

The Shares have not been and will not be registered under the Securities Act or under the securities laws or regulations of any state or other jurisdiction of the United States and may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of the Shares in the United States.

### 3.6 **Australia**

This document has not been and will not be lodged with the Australian Securities and Investments Commission or the Australian Stock Exchange and is not a disclosure document for purposes of Australian law. This document (whether in preliminary or definitive form) may not be issued or distributed in Australia and no offer or invitation may be made in relation to the issue, sale or purchase



of any Shares in Australia (including an offer or invitation received by a person in Australia) and no Shares may be sold in or into Australia or to or for the account or benefit of any resident in Australia. Each person who initially acquires any Shares or to whom any offer is made under the Placing will be deemed to have represented, warranted and agreed to and with the Company and Panmure Gordon that it is not in Australia. The Company, Panmure Gordon and their respective affiliates, representatives and others will rely upon the truth and accuracy of the foregoing representation, warranty, acknowledgement and agreement.

### 3.7 **Canada**

The relevant clearances have not been and will not be, obtained from the Securities Commission of any province or territory of Canada. Accordingly, subject to certain exceptions the Shares may not, directly or indirectly, be offered or sold within Canada, or offered or sold to a resident of Canada or to or for the account or benefit of any resident in Canada. Each person who initially acquires any Shares or to whom any offer is made under the Placing will be deemed to have represented, warranted and agreed to and with the Company and Panmure Gordon that it is not in Canada. The Company, Panmure Gordon and their respective affiliates, representatives and others will rely upon the truth and accuracy of the foregoing representation, warranty, acknowledgement and agreement.

### 3.8 **Republic of South Africa**

The relevant clearances have not been and will not be, obtained from the South African Reserve Bank nor any other applicable body in the Republic of South Africa. Accordingly, the Placing Shares will not, directly or indirectly, be offered or sold within the Republic of South Africa or to or for the account or benefit of any resident in the Republic of South Africa. Each person who initially acquires any Shares or to whom any offer is made under the Placing will be deemed to have represented, warranted and agreed to and with the Company and Panmure Gordon that it is not in the Republic of South Africa. The Company, Panmure Gordon and their respective affiliates, representatives and others will rely upon the truth and accuracy of the foregoing representation, warranty, acknowledgement and agreement.

### 3.9 **Japan**

The Placing Shares have not been and will not be registered under the Securities and Exchange Law of Japan and may not be offered or sold directly or indirectly in Japan or to or for the account or benefit of any resident in Japan except under circumstances that result in compliance of all applicable laws, regulations and guidelines promulgated by the relevant governmental and regulatory authorised in effect at the relevant time. Each person who initially acquires any Shares or to whom any offer is made under the Placing will be deemed to have represented, warranted and agreed to and with the Company and Panmure Gordon that it is not in Japan. The Company, Panmure Gordon and their respective affiliates, representatives and others will rely upon the truth and accuracy of the foregoing representation, warranty, acknowledgement and agreement.

## **4. PARTICIPATION IN AND PRINCIPAL TERMS OF THE PLACING**

4.1 Each Placee will be deemed to have read these Terms and Conditions in their entirety.

4.2 Conditional upon: (i) Admission occurring and becoming effective by no later than 8.00 a.m. on 27 November 2017 (or such other time as Panmure Gordon may notify to the Company but, in any event, no later than 8.00 a.m. on 4 December 2017); (ii) each of the Placing Agreement and the Selling Shareholders' Agreement, becoming unconditional in all respects and not having been terminated in accordance with its terms; and (iii) the Placee being allocated Placing Shares, the Placee agrees to become a member of the Company and irrevocably agrees to acquire those Placing Shares allocated to it at the Placing Price. To the fullest extent permitted by law, the Placee acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights which the Placee may have.

- 4.3 Participation in the Placing will only be available to persons who may lawfully be, and are, invited to participate by Panmure Gordon. Panmure Gordon and its affiliates may participate in the Placing as principal.
- 4.4 An offer to acquire Placing Shares, which has been communicated by a prospective Placee to Panmure Gordon which has not been withdrawn or revoked prior to publication of this document, will not be capable of withdrawal or revocation immediately following the publication of this document without the consent of Panmure Gordon.
- 4.5 Each Placee will have an immediate, separate, irrevocable and binding obligation, owed to Panmure Gordon, to pay in cleared funds immediately on the settlement date, in accordance with the registration and settlement requirements set out below, an amount equal to the product of the Placing Price and the number of Placing Shares allocated to such Placee. Panmure Gordon will procure the allotment or transfer of the Placing Shares to each Placee following each Placee's payment to Panmure Gordon of such amount.
- 4.6 Irrespective of the time at which a Placee's allocation pursuant to the Placing is confirmed, settlement for all Placing Shares to be acquired pursuant to the Placing will be required to be made at all times and on the basis explained below under "Registration and Settlement".
- 4.7 To the fullest extent permissible by law, neither the Company, Panmure Gordon nor any of their respective affiliates, directors or employees shall have any liability to Placees (or to any other person whether acting on behalf of a Placee or otherwise) under these Terms and Conditions. In particular, neither the Company, Panmure Gordon nor any of their respective affiliates shall have any liability (including to the fullest extent permissible by law, any fiduciary duties) in respect of Panmure Gordon's conduct of the Placing.
- 4.8 Panmure Gordon is acting for the Company and no one else in connection with the Placing of the New Shares and will not regard any other person (whether or not a recipient of these Terms and Conditions) as a client in relation to the Placing and to the fullest extent permitted by law and applicable Financial Conduct Authority rules, neither Panmure Gordon nor any of its affiliates will have any liability to Placees or to any person other than the Company in respect of the Placing.

## **5. ALLOCATION**

- 5.1 Panmure Gordon has solicited indications of interest from prospective Placees to acquire Shares in the Placing. On this basis, prospective Placees have been asked to specify the number of Shares that they are prepared to acquire at different prices. Multiple applications under the Placing are permitted.
- 5.2 A number of factors have been considered in deciding the Placing Price and the bases of allocation, including prevailing market conditions, the level and the nature of the demand for Shares and the objective of encouraging long-term ownership of the Shares. The Placing Price has been established at a level determined in accordance with these arrangements, taking into account indications of interest received from persons (including market-makers and fund managers) connected with Panmure Gordon. Accordingly, the Placing Price may be lower than the highest price at which all of the Shares, in respect of which indications of interest have been received or which are available for subscription in the Placing, could have been accepted.
- 5.3 Placees will be advised verbally or by electronic mail of their allocation as soon as practicable following allocation.

## **6. REGISTRATION AND SETTLEMENT**

- 6.1 Each Placee undertakes to pay the Placing Price for the Placing Shares subscribed or acquired by such Placee in the manner and by the time directed by Panmure Gordon.
- 6.2 Each Placee is deemed to agree that, if it fails to pay the Placing Price for the Placing Shares subscribed or acquired by it, Panmure Gordon may sell any or all of the Placing Shares allocated to it and which have not been paid for on its behalf and retain from the proceeds, for Panmure Gordon's

account and benefit (as agent for the Company), an amount equal to the aggregate amount owed by the Placee plus any interest due. Any excess proceeds will be paid to the relevant Placee at its risk. The relevant Placee will, however, remain liable and indemnifies the Company and Panmure Gordon on demand for any shortfall below the aggregate amount owed by it and may be required to bear any stamp duty or SDRT or securities transfer tax (together with any interest or penalties) which may arise upon the sale of such Placing Shares on its behalf. By agreeing to acquire Placing Shares, each Placee confers on Panmure Gordon all such authorities and powers necessary to carry out any such sale and agrees to ratify and confirm all actions which Panmure Gordon lawfully takes in pursuance of such sale.

- 6.3 The Shares are in registered form and can be held in certificated or uncertificated form. Title to certificated Shares (if any) will be evidenced in the register of members of the Company and title to uncertificated Shares will be evidenced by entry into the operator register maintained by the Registrar (which will form part of the register of members of the Company).
- 6.4 It is intended that allocations of Placing Shares to Placees who wish to hold Placing Shares in uncertificated form will take place through CREST on Admission. It is intended that, where applicable, definitive share certificates in respect of the Placing Shares will be posted by first class post as soon as is practicable following 4 December 2017. Dealings in advance of the crediting of the relevant CREST stock account shall be at the risk of the person concerned. Prior to the despatch of definitive share certificates in respect of any Placing Shares which are not settled in CREST, transfers of those Placing Shares will be certified against the register of members of the Company. No temporary documents of title will be issued.

## **7. PLACING AGREEMENT AND SELLING SHAREHOLDERS' AGREEMENT**

- 7.1 The Company, the Directors and Panmure Gordon have entered into the Placing Agreement, pursuant to which Panmure Gordon has agreed, subject to certain conditions, to use its reasonable endeavours to procure subscribers for the New Shares. The Company, the Selling Shareholders and Panmure Gordon have also entered into the Selling Shareholders' Agreement, pursuant to which Panmure Gordon have agreed, subject to certain conditions, to use its reasonable endeavours to procure acquisitions for the Sale Shares.
- 7.2 The Placing Agreement and Selling Shareholders' Agreement contain provisions entitling Panmure Gordon to terminate the Placing (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Placing and these arrangements will lapse and any monies received in respect of the Placing will be returned to Placees without interest.
- 7.3 The Placing Agreement and Selling Shareholders' Agreement provides for Panmure Gordon to be paid a commission in respect of the Placing Shares acquired by Placees. Any commission received by Panmure Gordon may be retained and any Placing Shares acquired by them may be retained or dealt in, by it, for its own benefit.

## **8. REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS**

By agreeing to acquire Placing Shares under the Placing, each prospective Placee which enters into a commitment to acquire Placing Shares will (for itself and any person(s) procured by it to acquire Placing Shares and any nominee(s) for any such person(s)) be deemed to agree, represent and warrant to each of the Company, the Selling Shareholders, Panmure Gordon and the Registrar that:

- 8.1 It has read this document in its entirety and it is relying solely on this document (and any supplementary admission document published by the Company subsequent to the date of this document) and not on any other information given, or representation or statement made at any time, by any person concerning the Group or the Placing.
- 8.2 It acknowledges that its participation in the Placing shall be made solely on the terms and conditions set out in these Terms and Conditions, the Placing Agreement and/or the Selling Shareholders' Agreement (as the case may be) and the Articles. It agrees that these Terms and Conditions and the contract note issued by Panmure Gordon to it represent the whole and only agreement between it, the Company and Panmure Gordon in relation to its participation in the Placing and supersedes any previous agreement between any such parties in relation to such participation.

- 8.3 It acknowledges that neither Panmure Gordon, any of its affiliates nor any person acting on its or their behalf is making any recommendation to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing or providing any advice in relation to the Placing, and participation in the Placing is on the basis that it is not and will not be a client of Panmure Gordon or any of its affiliates, that Panmure Gordon is acting for the Company and no-one else and that none of Panmure Gordon or any of its affiliates have any duties or responsibilities to it for providing protections afforded to its or their respective clients or for providing advice in relation to the Placing nor in respect of any representations, warranties, undertaking or indemnities contained in these Terms and Conditions.
- 8.4 It agrees that, having had the opportunity to read this document, it shall be deemed to have had notice of all information and representations contained in this document, that it is acquiring Placing Shares solely on the basis of this document and any supplementary admission document published by the Company subsequent to the date of this document and no other information and that in accepting a participation in the Placing it has had access to all information it believes necessary or appropriate in connection with its decision to acquire Placing Shares. It agrees that none of the Company, Panmure Gordon nor the Registrar, nor any of their respective directors, officers, agents or employees, will have any liability for any other information or representation. It irrevocably and unconditionally waives any rights it may have in respect of any other information or representation. This paragraph shall not exclude any liability for fraudulent misrepresentation.
- 8.5 The contents of this document and any supplementary admission document published by the Company subsequent to the date of this document are exclusively the responsibility of the Company and its Directors and apart from the responsibilities and liabilities, if any, which may be imposed on the Company or Panmure Gordon by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Company, Panmure Gordon nor any person acting on their behalf nor any of their affiliates accept any responsibility whatsoever for and makes no representation or warranty, express or implied, as to the contents of this document or any supplementary admission document published by the Company subsequent to the date of this document or for any other statement made or purported to be made by it, or on its behalf, in connection with the Group, the Placing Shares or the Placing and nothing in this document and any supplementary admission document published by the Company subsequent to the date of this document may be relied upon as a promise or representation in this respect, whether or not to the past or future. The Company and Panmure Gordon accordingly disclaim all and any responsibility or liability, whether arising in tort, contract or otherwise (save as referred to above), which they might otherwise have in respect of this document or any supplementary admission document published by the Company subsequent to the date of this document or any such statement. This paragraph shall not exclude any liability for fraudulent misrepresentation.
- 8.6 It acknowledges that no person is authorised in connection with the Placing to give any information or make any representation other than as contained in this document and any supplementary admission document published by the Company subsequent to the date of this document and, if given or made, any information or representation must not be relied upon as having been authorised by Panmure Gordon or the Company.
- 8.7 It acknowledges that time shall be of the essence as regards its obligations to settle payment for the Placing Shares and to comply with its other obligations under the Placing.
- 8.8 It has the funds available to pay the Placing Price in respect of the Placing Shares for which it commits to acquire under the Placing, and each other person (including, without limitation, any local authority or the managers of any pension fund) on whose behalf it commits to acquire Placing Shares under the Placing or to whom it allocates Placing Shares has the capacity and authority to enter into and to perform its obligations as a Placee and will comply with the obligations under the Terms and Conditions as if directly binding on them.
- 8.9 It: (i) is entitled to acquire the Placing Shares under the laws of all relevant jurisdictions; (ii) represents, warrants and undertakes that neither the Company nor Panmure Gordon will infringe any laws outside the United Kingdom as a result of its agreement to acquire Placing Shares or any actions arising from the Placee's rights and obligations under the Placee's agreement to acquire Placing Shares and under the Articles (and, in making this representation and warranty, the Placee confirms that it is aware of the selling and transfer restrictions set out in paragraph 3 above; (iii) has fully observed such laws; (iv) has the requisite capacity and authority and is entitled to enter into and to perform its obligations as

an acquirer of Placing Shares and will honour such obligations; and (v) has obtained all necessary consents and authorities (including, without limitation, in the case of any person on whose behalf it is acting, all necessary consents and authorities to agree to the terms set out or referred to in this paragraph to enable it to enter into the transactions contemplated hereby and to perform its obligations in relation thereto) and, in particular, if the Placee is a pension fund or investment company, it is aware of and acknowledges that it is required to comply with all applicable laws and regulations with respect to its acquisition of Placing Shares under the Placing.

- 8.10 It understands that no action has been or will be taken in any jurisdiction by the Company or any other person that would permit a public offering of the Placing Shares, or possession or distribution of this Admission Document, in any country or jurisdiction where action for that purpose is required.
- 8.11 If it is in the United Kingdom:
- 8.11.1 it is a Relevant Person and undertakes that it will acquire, hold, manage or dispose of any Placing Shares that are allocated to it for the purposes of its business;
- 8.11.2 it is acting as principal only in respect of the Placing, or, if it is acting for any other person:
- (a) it is and will remain liable to the Company and Panmure Gordon for the performance of all its obligations as a Placee in respect of the Placing (regardless of the fact that it is acting for another person);
- (b) it is both an "authorised person" for the purposes of FSMA and a "qualified investor" as defined at Article 2.1(e)(i) of the Prospectus Directive acting as agent for such person; and
- (c) such person is either (1) a "qualified investor" or (2) its "client" (as defined in section 86(2) of FSMA) that has engaged it to act as the client's agent on terms which enable it to make decisions concerning the Placing or any other offers of transferable securities on his behalf without reference to the client.
- 8.12 If it is in any EEA State which has implemented the Prospectus Directive it is: (a) a legal entity which is a "qualified investor" as defined under the Prospectus Directive; or (b) otherwise permitted by law to be offered and sold Placing Shares in circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive or other applicable laws.
- 8.13 It will not make any offer to the public of the Placing Shares and has not offered or sold and will not offer or sell any Placing Shares to persons in the United Kingdom or elsewhere in the European Economic Area prior to Admission except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted in and which will not result in an offer to the public in the United Kingdom within the meaning of section 85(1) of FSMA or an offer to the public in any other member state of the European Economic Area within the meaning of the Prospectus Directive (which includes any relevant implementing measure in any Member State of the European Economic Area).
- 8.14 If it is in a Member State of the European Economic Area, in the case of any Placing Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive: (a) the Placing Shares acquired by it in the Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any relevant member state other than qualified investors, as that term is defined in the Prospectus Directive, or in other circumstances falling within Article 3(2) of the Prospectus Directive and the prior consent of Panmure Gordon has been given to the offer or resale; or (b) where Placing Shares have been acquired by it on behalf of persons in any relevant member state other than qualified investors, the offer of those Placing Shares to it is not treated under the Prospectus Directive as having been made to such persons. For the purposes of this provision, the expression an "offer" in relation to any of the Placing Shares in any relevant member states means the communication in any form and by any means of sufficient information on the terms of the offer and any Placing Shares to be offered so as to enable an investor to decide to purchase or acquire the Placing Shares, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.
- 8.15 It is not a national, resident or citizen of Australia, Canada, the Republic of South Africa or Japan or a corporation, partnership or other entity organised under the laws of Australia, Canada, the Republic



of South Africa or Japan, it will not offer, sell, renounce, transfer or deliver, directly or indirectly, any of the Placing Shares in or into Australia, Canada, the Republic of South Africa, or Japan or to any national, resident or citizen of Australia, Canada, the Republic of South Africa, or Japan and it acknowledges that the Placing Shares have not been, and will not be, registered under the applicable securities laws of Australia, Canada, the Republic of South Africa or Japan and that the same are not being offered for subscription or sale, and may not, directly or indirectly, be offered, sold, transferred or delivered, in or into Australia, Canada, the Republic of South Africa or Japan.

- 8.16 It has not taken any action or omitted to take any action which will or may result in the Company, Panmure Gordon or any of their respective directors, officers, agents, affiliates, employees or advisers being in breach of the legal or regulatory requirements of any territory in connection with the Placing or its acquisition of Placing Shares pursuant to the Placing.
- 8.17 It acknowledges that:
- 8.17.1 the Placing Shares and the Shares have not been and will not be registered under the Securities Act or under any relevant securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, into or within the United States absent registration or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws;
- 8.17.2 the Placing Shares and the Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Placing Shares and the Shares or the accuracy or adequacy of this document, and that any representation to the contrary is a criminal offence in the United States.
- 8.18 It acknowledges that any person in the United States who obtains a copy of this document and who is not a Qualified Institutional Buyer is required to disregard it.
- 8.19 It acknowledges that until 40 days after Admission, the commencement of any offer, sale or transfer of the Placing Shares within the United States by a dealer (whether or not participating in the Placing) may violate the registration requirements of the Securities Act.
- 8.20 It acknowledges that if it is not located within the United States, it is acquiring Placing Shares in an "offshore transaction" as defined in Regulation S and where it is acquiring Placing Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account: (i) to acquire the Placing Shares for each such account; (ii) to make on each such account's behalf the representations, warranties and agreements set out in this document; and (iii) to receive on behalf of each such account any documentation relating to the Placing in the form provided by the Company and/or Panmure Gordon, and is deemed to represent, warrant and agree as follows:
- 8.20.1 it and any person, if any, for whose account it is acquiring the Placing Shares, is purchasing the Placing Shares outside the United States in an offshore transaction meeting the requirements of Regulation S and the transaction was not pre-arranged with a buyer in the United States;
- 8.20.2 it is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Placing Shares;
- 8.20.3 it is aware that the Placing Shares have not been and will not be registered under the Securities Act and are being offered and sold in "offshore transactions" outside the United States in reliance on Regulation S;
- 8.20.4 it is not acquiring the Placing Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Placing Shares into the United States or any jurisdiction referred to above;
- 8.20.5 if in the future it decides to offer, sell, transfer, assign or otherwise dispose of the Shares, it will do so only pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;

- 8.20.6 it has received, carefully read and understands this document and has not distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the Placing Shares to any persons within the United States, nor will it do any of the foregoing;
- 8.20.7 it is not acting on a non-discretionary basis for the account or benefit of a person located within the United States at the time the undertaking to acquire Placing Shares is given and it is not acquiring the Placing Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any Placing Shares in or into the United States; and
- 8.20.8 that the Company, Panmure Gordon, their respective affiliates and others, will rely upon the truth and accuracy of the foregoing acknowledgements, representations or agreements made by it, if it becomes aware that the foregoing acknowledgements, representations or agreements are no longer accurate or have not been complied with, it will immediately notify the Company and Panmure Gordon and, if it is acquiring any Placing Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make such foregoing acknowledgements, representations and agreements on behalf of each such account.
- 8.21 It confirms that any of its clients, whether or not identified to Panmure Gordon or any of its affiliates or agents, will remain its sole responsibility and will not become clients of Panmure Gordon or any of their affiliates or agents for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision.
- 8.22 It acknowledges that where it or any person acting on its behalf is dealing with Panmure Gordon, any money held in an account with Panmure Gordon on its behalf and/or any person acting on its behalf will not be treated as client money within the meaning of the relevant rules and regulations of the FCA which therefore will not require Panmure Gordon to segregate such money as that money will be held by Panmure Gordon under a banking relationship and not as trustee.
- 8.23 It acknowledges that the Company has only communicated, or caused to be communicated, and will only communicate, or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) relating to the Placing Shares in circumstances in which section 21(1) of FSMA does not require approval of the communication by an authorised person and the investor acknowledges and agrees that this Admission Document is not being issued by Panmure Gordon in its capacity as an authorised person under section 21 of FSMA and such documents may not therefore be subject to the controls which would apply if it was made or approved as a financial promotion by an authorised person.
- 8.24 It accepts and acknowledges that:
- 8.24.1 if the Placing does not proceed and/or the conditions to Panmure Gordon's obligations in respect of the Placing under the Placing Agreement and/or Selling Shareholders' Agreement are not satisfied and/or the Placing Agreement and/or Selling Shareholders' Agreement is terminated prior to Admission for any reason whatsoever and/or the Placing Shares are not admitted to trading on AIM for any reason whatsoever, neither the Company, Panmure Gordon nor any of their respective affiliates, nor persons controlling, controlled by or under common control with any of them nor any of their respective employees, agents, officers, members, stockholders, partners or representatives, shall have any liability whatsoever to it or any other person;
- 8.24.2 Panmure Gordon is entitled to exercise any of its rights under the Placing Agreement and/or Selling Shareholders' Agreement or any other right in its absolute discretion, including the right to terminate the Placing Agreement and/or Selling Shareholders' Agreement, without any liability whatsoever to it (or any person on whose behalf it is acting) and Panmure Gordon shall not have any obligation to consult or notify Placees in relation to any right or discretion given to it or which it is entitled to exercise;
- 8.24.3 Panmure Gordon expressly reserves the right to determine, at any time prior to Admission, not to proceed with the Placing, and that if such right is exercised, the Placing (and the arrangements associated with it) will lapse and any monies received in respect of the Placing will be returned to Placees without interest.

- 8.25 In connection with its participation in the Placing it has observed all relevant laws and regulations, in particular (but without limitation) those relating to money laundering and countering terrorist financing including under the Proceeds of Crime Act 2002, the Terrorism Act 2000, the Terrorism Act 2006 and the Money Laundering Regulations 2007 and that it accepts full responsibility for any requirement to identify and verify the identity of its clients and other persons in respect of whom it has applied. In addition, it warrants that it is a person: (i) subject to the Money Laundering Regulations 2007 in force in the United Kingdom; or (ii) subject to the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing) ("**Money Laundering Directive**"); or (iii) acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and is based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the Money Laundering Directive.
- 8.26 It understands that due to anti-money laundering and the countering of terrorist financing requirements, the Company and/or Panmure Gordon may require proof of identity of the Placee and related parties and verification of the source of the payment before the offer commitment can be processed and that, in the event of delay or failure by the Placee to produce any information required for verification purposes, the Company and/or Panmure Gordon may refuse to accept the offer commitment and the subscription moneys relating thereto. It holds harmless and will indemnify the Company and Panmure Gordon against any liability, loss or cost ensuing due to the failure to process the offer commitment, if such information as has been required has not been provided by it or has not been provided timeously.
- 8.27 It is aware of the obligations regarding insider dealing in the Criminal Justice Act 1993, the Market Abuse Regulation and the Proceeds of Crime Act 2002 and confirms that it has complied and will continue to comply with those obligations.
- 8.28 As far as it is aware, it is not acting in concert (within the meaning given in the City Code) with any other person in relation to the Company and it is not a related party of the Company for the purposes of the AIM Rules for Companies.
- 8.29 It is not applying as, nor is it applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986 and no instrument under which it acquires Placing Shares (whether as principal, agent or nominee) would be subject to stamp duty or SDRT at the increased rates referred to in those sections and that it, or the person specified by it for registration as a holder of Placing Shares, are not participating in the Placing as nominee or agent for any person or persons to whom the allocation, transfer or delivery of Placing Shares would give rise to such a liability.
- 8.30 It, or the person specified by it for registration as a holder of the Placing Shares, will be liable for any stamp duty or SDRT liability under any of sections 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services), registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto), if any, payable on acquisition of any of the Placing Shares and acknowledge and agree that, neither the Company nor Panmure Gordon nor any of their respective affiliates nor any person acting on behalf of them will be responsible for any other liability to stamp duty or SDRT resulting from a failure to observe this requirement;
- 8.31 It confirms that it is not and at Admission will not be, an affiliate of the Company or a person acting on behalf of such affiliate and it is not acquiring Placing Shares for the account or benefit of an affiliate of the Company or of a person acting on behalf of such an affiliate.
- 8.32 It confirms that it will (or will procure that its nominee will) if applicable, make notification to the Company of the interest in its Shares in accordance with Rule 5 of the Disclosure and Transparency Rules as they apply to the Company.
- 8.33 It accepts that the allocation of Placing Shares will be determined by Panmure Gordon in its absolute discretion following consultation with the Company and that Panmure Gordon may scale down any placing commitments on such basis as it may determine.
- 8.34 It acknowledges that the representations, undertakings and warranties given by it as contained in this Part VI are irrevocable. It acknowledges that the Company, Panmure Gordon and their respective affiliates will rely upon the truth and accuracy of such representations, undertakings and warranties and it agrees that if any of the representations, undertakings or warranties made or deemed to have



been made by its application for Placing Shares are no longer accurate, it shall promptly notify the Company and Panmure Gordon.

## **9. INDEMNITY**

Each Placee irrevocably agrees, on its own behalf and on behalf of any person on whose behalf it is acting, to indemnify and hold the Company, the Selling Shareholders, Panmure Gordon and their respective affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of any breach by it any person on whose behalf it is acting of the representations, warranties, undertakings, agreements and acknowledgements in these Terms and Conditions.

## **10. SUPPLY AND DISCLOSURE OF INFORMATION**

If the Company, Panmure Gordon or the Registrar or any of their agents request any information in connection with a Placee's agreement to acquire Placing Shares under the Placing or to comply with any relevant legislation, such Investor must promptly disclose it to them.

## **11. MISCELLANEOUS**

- 11.1 The Company and Panmure Gordon expressly reserve the right to modify the Placing (including, without limitation, its timetable and settlement) at any time before allocations are determined including the right of Panmure Gordon to notify to the Company the extension for the dates and times for satisfaction of any or all of the conditions in the Placing Agreement and/or Selling Shareholders' Agreement (provided that such conditions are not extended beyond 8.00 a.m. on 4 December 2017).
- 11.2 The rights and remedies of the Company, the Selling Shareholders, Panmure Gordon and the Registrar under these Terms and Conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.
- 11.3 The Placee irrevocably appoints any Director and any director of Panmure Gordon to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its acquisition of all or any of the Placing Shares for which it has given a commitment under the Placing, in the event of its own failure to do so.
- 11.4 On the acceptance of its placing commitment, if a Placee is a discretionary fund manager, that Placee may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned.
- 11.5 All documents provided in connection with the Placing will be sent at the Placee's risk. They may be returned by post to the Placee at the address notified by the Placee.
- 11.6 The Placee agrees to be bound by the Articles (as amended from time to time) once the Placing Shares, which the Placee has agreed to acquire pursuant to the Placing, have been acquired by the Placee.
- 11.7 The contract to acquire Placing Shares under the Placing and the appointments and authorities mentioned in this document will be governed by and construed in accordance with, the laws of England. For the exclusive benefit of the Company, Panmure Gordon and the Registrar, the Placee irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against an Investor in any other jurisdiction.
- 11.8 In the case of a joint agreement to acquire Placing Shares under the Placing, references to a "Placee" in these terms and conditions are to each of the investors who are a party to that joint agreement and their liability is joint and several.
- 11.9 Panmure Gordon may, and its affiliates acting as an investor for its or their own account(s) may, acquire Placing Shares and, in that capacity may retain, purchase, offer to sell or otherwise deal for its or their

own account(s) in the Placing Shares, any other securities of the Company or other related investments in connection with the Placing or otherwise. Accordingly, references in these Terms and Conditions to the Placing Shares being offered, subscribed, sold, acquired or otherwise dealt with should be read as including any offer to, or subscription, acquisition or dealing by, Panmure Gordon and/or any of their respective affiliates acting as an Investor for its or their own account(s). Neither the Company nor Panmure Gordon intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

- 11.10 Each Placee which acquires Placing Shares will be deemed to undertake that it agrees that it is liable for any capital duty, stamp duty, stamp duty reserve tax and all other stamp, issue, securities, transfer registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the United Kingdom by such investor or any other person on the acquisition by such Placee of any Placing Shares or the agreement by such Placee to acquire any Placing Shares.



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