For immediate release **23 September 2019**

Keystone Law Group plc

('Keystone' or the 'Group')

Interim Results

Keystone Law (AIM: KEYS), the fast growing, UK Top 100, challenger law firm, today announces its interim results for the six months ended 31 July 2019 ('H1-2020' or the 'period').

Financial Highlights

- Strong revenue growth of 15.3% to £23.0 million (H1-2019: £19.9 million)
- Adjusted PBT[1]increased by 15.4% to £2.7 million (H1-2019: £2.3 million)
- Basic EPS rising to 6.3 pence (H1-2019: 5.5 pence)
- Robust cash conversion at 90.3% with operating cashflow[2] of £2.4 million (H1-2019: £2.2 million)
- Interim ordinary dividend of 3.2 pence per share, in line with progressive dividend policy
- Special dividend of 8.0 pence per share

[1] Adjusted PBT is calculated utilising profit before tax and adding back amortisation for both periods; for the current year share based payments and one off costs associated with property relocation is also added back.

[2] Operating Cashflow is calculated utilising cash generated from operations and deducting repayment of other borrowings; these being property lease payments in respect of the Keystone offices.

Business Highlights

- Principal[1] lawyer recruitment continues to be strong
    - Number of qualified new applicants rose by 7.5% to 114 (H1-2019: 106)
    - Principal lawyers accepting offers increased by 24% to 36 (H1-2019: 29)
    - Number of principals increased by 27 (H1-2019: 25)
- Demand for junior support, both through Pods[1] and central office employed lawyers, continues to grow: Pod members increased by five and central office lawyers by two
- Invested in new office space to deliver more meeting rooms, hot desks and improved lawyer centre
- Aligned existing lease to new now hold co-terminus five year leases
- Keystone model and brand continues to be increasingly well respected
- Performance in the period has been ahead of expectations and this has laid a strong foundation for the rest of the year

[1] Principal lawyers are the senior lawyer who own the service company ("Pod") which contracts with Keystone. The relationship between Keystone and its lawyers is governed by two agreements: a service agreement (which governs the commercial terms and is between the Pod company and Keystone) and a compliance agreement (which governs the behaviour of lawyers and is between each lawyer and Keystone). Pods can employ more than one fee earner.

James Knight, Chief Executive Officer of Keystone Law, commented: "I am pleased to report another strong set of Interim Results, as reflected by both the Group's financial and operational performance. The revenue and profit growth has been driven by the ongoing strength of the recruitment activity as we continue to attract high calibre principal lawyers looking to take advantage of the benefits that the Keystone model offers and build their practices. This is providing clear evidence of the Group's ability to scale and take advantage of the considerable mid-market opportunity.

"The performance of the existing lawyers, together with the strength of the recruitment pipeline at the half year all serve to underpin our confidence in the second half."

- Ends -

For further information:

Keystone Law Group plc

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Notes to editors

Keystone Law 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 disrupting the traditional law firms operating within the legal services mid-market. Keystone's model permits rapid scalability, enabling the Group to increase the number of revenue generating lawyers more quickly than the traditional model.

As a full service law firm, Keystone delivers conventional legal services across more than 20 service areas and over 50 industry sectors to a client base comprising predominantly of SMEs and private individuals. These services are delivered by over 300 experienced self-employed lawyers who work from their own offices; with no fixed remuneration their fees are calculated with direct reference to the income they generate for the Group. The lawyers are fully supported by the Group's central office team of approximately 40 employees, and are therefore able to focus entirely on business development and the delivery of legal work.

With the head office located in the heart of London's legal district on Chancery Lane, the Group uses its bespoke proprietary software platform to enable 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 platform also drives interaction, co-operation and a strong corporate culture across the business.

Keystone joined the AIM market of the London Stock Exchange in November 2017, raising £15 million, under the ticker KEYS. More information can be found at: www.keystonelaw.co.uk/

CHIEF EXECUTIVE OFFICER'S STATEMENT

I am pleased to report that the Group has continued to trade strongly and above expectations throughout the first half of this financial year ('H1-2020'). As a result, revenue for the first six months has increased by 15.3% to £23.0m (H1-2019: £19.9m), reported PBT has increased by 12.1% to £2.4m (H1-2019: £2.2m) and adjusted PBT* has increased by 15.4% to £2.7m (H1-2019: £2.3m). Cash conversion has also remained strong with operating cashflow** of £2.4m being a conversion of 90.3% (H1-2019: £2.2m and 94.6%).

Throughout the first half of this year the management team has continued to focus on delivering the UK centric organic growth strategy of the business and has been pleased with the progress made during the period. The Keystone model is becoming increasingly accepted within the legal profession and, as such, we continue to see high calibre candidates attracted to the business. Lawyer recruitment has been strong with 114 (H1-2019: 106) qualified new applicants (Principals) entering the pipeline this year, whilst Principals accepting offers has increased by 24% to 36 (H1-2019: 29). We have also seen a continuation of the growth of Pods (Principals' service companies employing more than one lawyer) with 10 new Pod members joining during the period (H1-2019: 7). Total lawyer numbers have increased by 34 (with 45 lawyers starting in the period) to 355 (H1-2019: increased by 31).

Whilst recruitment of high calibre new lawyers with client followings is undoubtably the number one driver of growth for the business, that growth is underpinned by the continual work by our lawyers in developing and maintaining their practices. The Marketing team and the Growth and Development team have had another busy six months supporting Keystone lawyers in achieving this. Those teams deliver extensive and often personalised support, with all new lawyers benefiting from substantial up-front investment to help them successfully establish their practice at Keystone. Our lawyers have continued to benefit from the multitude of centrally organised events and networking opportunities as well as the high quality marketing collateral and tender support delivered by the Marketing team.

In response to the growing demand for client meeting rooms and hot desking facilities we have taken advantage of the opportunity to lease a second floor in the same building as our central offices at Chancery Lane. As such, from the second half of this year, we will be able to offer our lawyers twice as many meeting rooms as well as increasing both the hot desks and the permanent desks available to those lawyers who wish to pay for this facility. The timing of this new floor has been very propitious becoming available in time to replace the existing lawyer centre where the lease ends in December. We have also taken advantage of the lease negotiations to agree new terms on our existing lease, such that both floors are now under new five year co-terminus leases.

It has been a busy period for all of the central office and the team has worked hard to deliver a first class service to both our lawyers and our clients. We continue to strive to be 'best in class' and focus on supporting our lawyers across all disciplines, ensuring that they are free to focus on working with their clients to deliver exceptionally high calibre legal services.

Dividend

As a result of the strong performance in H1-2020, as well as the ongoing confidence which the Board has in the outlook for the full year, I am pleased to announce that the Board has declared an interim ordinary dividend of 3.2 pence per share (H1-2019: 2.5 pence per share). Having reviewed the cash position and working capital requirements of the Group, the Board has also decided to declare a special dividend of 8.0 pence per share. The dividends will be payable on 25 October 2019 to shareholders on the register on 4 October 2019 and the shares will go ex-dividend on 3 October 2019.

Summary and Outlook

In summary, the Board is extremely pleased with the performance of the Group in the first half of this year, which has been ahead of expectations, and it is confident that this has laid a strong foundation for the rest of the year.

The performance of existing Keystone lawyers, together with the recruitment activity during the first half of the year and the strength of the recruitment pipeline at the half year, all serve to underpin management's confidence in the second half.

James Knight
Chief Executive Officer
23 September 2019

* Adjusted PBT is calculated utilising profit before tax and adding back amortisation for both periods; for the current year share based payments and one off costs associated with property relocation are also added back.

* * Operating Cashflow is calculated utilising cash generated from operations and deducting repayment of other borrowings; these being property lease payments in respect of the Keystone offices.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 July 2019

	Note	**6 Months to July 2019 (Unaudited) £**	6 Months to July 2018 (Restated) (Unaudited) £
Revenue		**22,984,364**	19,940,081
Cost of sales		**(16,796,779)**	(14,559,616)
Gross profit		**6,187,585**	5,380,465
Depreciation and amortisation	2	**(354,993)**	(332,141)
Administrative expenses	2	**(3,502,288)**	(2,958,137)
Other operating income		**35,160**	32,816
Operating profit		**2,365,464**	2,123,003
Finance income		**68,482**	50,681
Finance costs	3	**(3,020)**	(5,982)
Profit before tax		**2,430,926**	2,167,702
Corporation tax expense		**(462,551)**	(457,092)
Profit and total comprehensive income for the year attributable to equity holders of the Parent		**1,968,375**	1,710,610
Basic and diluted EPS (p)		**6.3**	5.5

The above results were derived from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the period ended 31 July 2019

	Note	**31 July 2019 (Unaudited) £**	31 July 2018 (Restated) (Unaudited) £	31 January 2019 (Restated) (Audited) £
Assets				
Non-current assets				
Property, plant and equipment		**278,700**	43,780	55,775
Right of use assets		**2,245,784**	887,086	746,666
Intangible assets		**6,634,932**	6,985,816	6,810,373
Available-for-sale financial assets		**13,628**	13,628	13,628
		9,173,044	7,930,310	7,626,442
Current assets				
Trade and other receivables		**15,482,709**	11,804,946	14,510,726
Cash and cash equivalents		**6,357,449**	5,312,192	6,343,637
		21,840,158	17,117,138	20,854,363
Total assets		**31,013,202**	25,047,448	28,480,805
Equity and liabilities				
Equity				
Share capital		**62,548**	62,548	62,548
Share premium		**9,920,760**	9,920,760	9,920,760
Share based payments reserve		**88,224**	–	43,205
Retained earnings		**5,266,571**	4,016,232	5,331,002
Equity attributable to equity holders of the Parent		**15,338,103**	13,999,540	15,357,515
Non-current liabilities				
Lease liabilities	4	**2,054,201**	676,648	524,677
Deferred tax liabilities		**372,088**	442,266	407,177
		2,426,289	1,118,914	931,854
Current liabilities				
Trade and other payables		**12,388,666**	9,238,336	11,575,061
Lease liabilities	4	**320,523**	320,063	311,971
Corporation tax liability		**496,741**	284,625	210,291
Provisions		**42,880**	85,970	94,113
		13,248,810	9,928,994	12,191,436
Total liabilities		**15,675,099**	11,047,908	13,123,290
Total equity and liabilities		**31,013,202**	25,047,448	28,480,805

The interim statements were approved and authorised for issue by the Board of Directors on 20 September 2019 and were signed on its behalf by:

A Miller
Director

Keystone Law Group plc

Registered No: 09038082

STATEMENT OF CHANGES IN EQUITY

For the period ended 31 July 2019

	Attributable to equity holders of the Parent				
	Share capital £	Share premium £	Share based payment reserve £	Retained earnings £	Total £
At 1 February 2018 (audited)	62,548	9,920,760	–	2,568,343	12,551,651
Profit for the period and total comprehensive income	–	–	–	1,710,610	1,710,610
Dividend Paid	–	–	–	(262,721)	(262,721)
At 31 July 2018 (unaudited)	62,548	9,920,760	–	4,016,232	13,999,540
Profit for the period and total comprehensive income	–	–	–	2,096,619	2,096,619
Share based payments	–	–	43,205	–	–
Dividend Paid	–	–	–	(781,849)	(781,849)
At 31 January 2019 (audited)	62,548	9,920,760	43,205	5,331,002	15,357,515
Profit for the period and total comprehensive income	–	–	–	1,968,375	1,968,375
Share based payments	–	–	45,019	–	45,019
Dividend Paid	–	–	–	(2,032,806)	(2,032,806)
At 31 July 2019 (unaudited)	62,548	9,920,760	88,224	5,266,571	15,338,103

Application of IFRS16 has not resulted in any changes to the historic reserves values.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 July 2019

	Note	**6 Months to July 2018 (Unaudited) £**	6 Months to July 2018 (Restated) (Unaudited) £	Year ended 31 January 2019 (Restated) (Audited) £
Cash flows from operating activities				
Profit before tax		**2,430,926**	2,167,702	4,745,011
Adjustments to cash flows from non-cash items				
Depreciation and amortisation	2	**354,993**	332,141	665,588
Share based payments		**45,019**	–	43,205
Finance income		**(68,482)**	(50,681)	(120,463)
Finance costs		**3,020**	5,982	7,659
		2,765,476	2,455,144	5,341,300
Working capital adjustments				
(Increase) / Decrease in trade and other receivables		**(971,983)**	189,767	(2,516,013)
Increase / (Decrease) in trade and other payables		**813,605**	(267,614)	2,058,456
(Decrease) / Increase in provisions		**(51,233)**	–	19,113
Cash generated from operations		**2,555,865**	2,377,297	4,902,556
Interest Paid	3	**(3,020)**	(5,982)	(7,659)
Corporation taxes paid		**(211,189)**	(267,307)	(857,420)
Cash generated from operating activities		**2,341,656**	2,104,008	4,037,477
Cash flows from investing / (used in) activities				
Interest received	3	**68,482**	50,681	120,463
Purchases of property plant and equipment		**(248,711)**	(9,699)	(39,609)
Net cash generated from investing activities		**(180,229)**	40,982	80,854
Cash flows from financing activities				
Repayment of lease liabilities		**(114,809)**	(160,045)	(320,094)
Dividend Paid		**(2,032,806)**	(262,722)	(1,044,570)
Net cash (used in) from financing activities		**(2,147,615)**	(422,767)	(1,364,664)
Net increase in cash and cash equivalents		**13,812**	1,722,223	2,753,667
Cash at 1 February		**6,343,637**	3,589,970	3,589,970
Cash at 31 July		**6,357,449**	5,312,192	6,343,637

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Company was incorporated as Keystone Law Group Limited on 13 May 2014 under the Companies Act 2006 (registration no. 09039092) 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. The Company was re-registered as a Public Limited company on 10 November 2017. The Company was incorporated and is 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 Interim Financial Statements are presented in Pounds Sterling, being the functional currency of the Group.

Accounting Policies

Statement of Compliance
The Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards and interpretations issued by the International Financial Reporting Standards Interpretations Committee ("IFRIC") as adopted by the European Union (collectively "adopted IFRS's").

Basis of Preparation
The interim financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 January 2019, prepared under IFRS, have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies House 2006. The interim financial information has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) and on the same basis and using the same accounting policies as used in the financial statements for the year ended 31 January 2019, with the exception of the application of IFRS16 which has come into force in this period.

The Interim Report has not been audited or reviewed in accordance with the International Standard on Review Engagement 2410 issued by the Auditing Practices Board.

Going Concern
The Interim Report has been prepared on a going concern basis as the Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group has no debt, is strongly cash generative and has a strong trading performance. The Group's forecasts and projections show that the Group has sufficient resources for both current and anticipated cash requirements.

Accounting Developments
The following standards and interpretations, relevant to the Group's operations have been applied in the Interim Statements for the first time:

IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019)

Under IFRS 16 a right-of-use asset and a lease liability are recognised for all leases except 'low-value' and 'short' term leases where lease payments are recognised on a straight-line basis over the lease term.

The implementation of this standard on a full retrospective basis, for the first time in these statements, has impacted on all three primary statements. On the statement of financial position, a new type category of fixed asset (assets for use) has been created to recognise the value of leases, whilst the full liability of a leases has been recognised within both current and non-current liabilities. Over the life of the leases, the fixed asset will be depreciated and this charge will replace the cost of operating leases which has previously been charged as part of the administrative expenses. On the cashflow, payments of leases are treated as repayment of borrowings, these payments previously formed part of operating cashflow.

The tables below sets out the impact of these changes on the position as at 31 January 2019 and 31 July 2018:

31 January 2019:

	Reported £	Change £	Restated £
Income Statement			
Depreciation and amortisation	(385,111)	(280,777)	(665,888)
Administrative expenses	(6,594,276)	280,777	(6,313,499)
Consolidated Statement of Financial Position			
Right of use assets	-	746,666	746,666
Trade and other payables	(11,665,043)	89,982	(11,575,061)
Lease liabilities (Current liabilities)10	-	(311,971)	(311,971)
Lease liabilities (Non-current liabilities)	-	(524,708)	(524,708)
Consolidated Statement of Cash Flows			
Depreciation and amortisation	385,111	280,777	665,888
Increase in trade and other payables	2,018,839	39,317	2,058,156
Cash generated from operating activities	3,717,383	320,063	4,037,477
Repayment of lease liabilities	-	(320,094)	(320,094)

31 July 2018:

	Reported £	Change £	Restated £
Income Statement			
Depreciation and amortisation	(191,753)	(140,388)	(332,141)
Administrative expenses	(3,098,525)	140,388	(2,958,137)
Consolidated Statement of Financial Position			
Right of use assets	-	887,086	887,086
Trade and other payables	(9,347,961)	109,625	(9,238,336)
Lease liabilities (Current liabilities)	-	(320,063)	(320,063)
Lease liabilities (Non-current liabilities)	-	(676,648)	(676,648)
Consolidated Statement of Cash Flows			
Depreciation and amortisation	191,753	140,388	332,141
Decrease in trade and other payables	(287,272)	19,658	(267,614)
Cash generated from operating activities	1,943,962	160,046	2,104,008
Repayment of lease liabilities	-	(160,046)	(160,046)

ADJUSTED PBT

Adjusted PBT is utilised as a key performance indication for the Group and is calculated as follows:

	6 months to July 2019 (Unaudited) £'000	6 months to July 2018 (Unaudited) £'000
Profit before tax	**2,431**	2,168
Amortisation	**175**	175
Share based payments	**45**	–
One off impact of property changes	**51**	–
Adjusted PBT	**2,702**	2,343

During H1-2020, the Group entered into a new lease for additional premises to significantly increase the meeting room provision of the firm as well as to act as a larger and improved lawyer centre; these premises were subject to fit out during the period and, therefore, not in use by the business. The existing lawyer centre was vacated at the end of the period and a provision was made for the remainder of the term which runs until December 2019. Furthermore, the lease for the existing floor was surrendered and a new lease entered into so that the business now holds two co terminus five year leases. This resulted in a release of previously accrued rent free periods and dilapidation provisions.

Earnings per Share

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period. The weighted average number of shares in the period was 31,273,941 (H1-2019: 31,273,941).

The adjusted earnings per share was 7.1 pence (H1-2019: 6.0 pence per share). Adjusted earnings are stated by making the same adjustments to earnings as those made in calculating adjusted PBT.

2. Expenses by Nature

Expenses are comprised of:	6 months to July 2019 (Unaudited) £	6 months to July 2018 (Restated) (Unaudited) £
Depreciation – right of use assets	**153,766**	140,388
Depreciation – other	**25,785**	16,311
Amortisation	**175,442**	175,442
Staff costs	**1,636,697**	1,392,613
Share based payments	**45,019**	–
One off costs related to property changes	**51,457**	–
Other administrative expenses	**2,062,735**	1,791,532
	4,150,901	3,516,286

Included within staff costs above are the costs of employed fee earners who are included within cost of sale (H1-2020: £293,620, H1-2019: £226,008).

3. Trade and Other Receivables

	31 July 2019 (Unaudited) £	31 July 2018 (Unaudited) £	31 January 2019 (Audited) £
Trade receivables	**9,334,361**	6,101,538	8,255,214
Provision for impairment of trade receivables	**(2,530,859)**	(1,037,843)	(1,702,097)
Net trade receivables	**6,803,502**	5,063,695	6,553,117
Receivables from related parties	**15,806**	15,806	15,806
Accrued income	**6,275,766**	4,956,689	5,647,263
Prepayments	**980,842**	383,240	1,022,157
Other receivables	**1,406,793**	1,385,516	1,272,383
Total current trade and other receivables	**15,482,709**	11,804,946	14,510,726
Net trade receivables average age (days)	**31**	34	40

4. Lease liabilities

	31 July 2019 (Unaudited) £	31 July 2018 (Restated) (Unaudited) £	31 January 2019 (Restated) (Audited) £
Non-current lease liabilities			
Lease liabilities	**2,054,201**	676,648	524,708

	31 July 2019 (Unaudited) £	31 July 2018 (Unaudited) £	31 January 2019 (Restated) (Audited) £
Current lease liabilities			
Lease liabilities	**320,523**	320,063	311,971

The lease liabilities relate to property leases of the Group. Following implementation of IFRS16 these have now been brought on balance sheet.

5. Dividends

The final dividend for the year ended 31 January 2019 of 6.5 pence per share (31 January 2018: 0.84 pence per share) was paid in July 2019.

The Directors have declared an ordinary interim dividend for the current year of 3.2 pence per share (H1-2019: 2.5 pence per share), as well as a special dividend of 8.0 pence per share, both of which will be paid on 25 October 2019 to shareholders on the register on 4 October 2019 with the shares going ex-dividend on 3 October 2019. In accordance with IAS10 “Events after the Balance Sheet Date” these dividends have not been reflected in the interim financial statements.

- Ends -