

**Keystone Law Group plc**

('Keystone' or the 'Group')

**Final Results**

Keystone Law (AIM: KEYS), the fast growing, UK Top 100, challenger law firm, today announces its maiden set of final results for the year ended 31 January 2018.

**Financial Highlights**

- Strong Revenue increase of 23.6% at £31.6 million (FY2017: £25.6 million)
- Underlying EBITDA<sup>1</sup> of £3.27 million (FY2017: £2.29 million) representing growth of 42.7%
- Underlying EBITDA<sup>1</sup> margin rising to 10.3% from 9% in FY2017
- Underlying PBTA<sup>2</sup> up by 63% to £2.89 million (FY2017: £1.77 million)
- Basic EPS of 6.0 pence (on 26.3 million shares) is up from 3.5 pence (on 25 million shares)
- Underlying EPS calculated on closing shares of 31 million would have been 8.1 pence
- Underlying operating cash<sup>3</sup> conversion of 86% delivered due to strongly cash generative business model
- Proposed 0.84 pence dividend; methodology as indicated on IPO
- Maiden set of final results reported comfortably ahead of market expectations

<sup>1</sup> Underlying EBITDA for 2018 is calculated by adding flotation costs back to EBITDA. For 2017 one off costs arising from the relocation of the central office have been added back to EBITDA. Details of these calculations are shown in the financial review.

<sup>2</sup> PBTA refers to profit before tax and amortisation

<sup>3</sup> Underlying operating cash flow has been adjusted in 2018 to remove the impact of £221,000 flotation costs which remain unpaid at 31 January 2018. Underlying cash conversion is calculated by dividing the underlying operating cash flow by the underlying EBITDA.

**Business highlights**

- Successful admission to AIM on 27 November 2017, raising gross proceeds of £15.0 million in an oversubscribed Placing (£10 million for Company, £5 million for existing shareholders)
- Number of fee earners rising from 228 to 266 and applications made in the period increasing 24% year on year
- Organic growth enabled by growing reputation as a leading, quality mid-market law firm
- Continued investment in infrastructure and recruitment capabilities to drive further quality-centric organic growth
- Breaking into The Lawyer magazine's list of the Top 100 UK law firms based on revenue and into Legal Week magazine's Best Legal Advisers Report as the only firm to be ranked in the top 5 in all categories
- Group well positioned, with clear growth strategy, to exploit substantial UK legal mid-market opportunity

**James Knight, Chief Executive Officer of Keystone Law, commented:** "I am pleased to report that the Group has delivered a positive maiden set of final results, with strong performance driving revenue and EBITDA growth. Furthermore, our business model has led to impressive cash conversion within the business.

“I am delighted to have successfully completed our recent IPO and strongly believe that Keystone is well-positioned to take advantage of the significant market opportunity in the UK legal services market, which we believe is ripe for disruption.

“The ability of our clear strategy to deliver organic growth has been demonstrated by the rising number of fee earners joining the business, as our distinctive platform model proves increasingly attractive to quality lawyers and their valuable clients. As Keystone’s first mover advantage enables further expansion, we look forward to delivering sustainable organic growth to our shareholders as we embark upon our journey as a publicly listed company.”

- Ends -

**For further information:**

**Keystone Law Group plc**

James Knight, Chief Executive Officer  
Ashley Miller, Finance Director

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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 250 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/](http://www.keystonelaw.co.uk/)

*The information contained within this announcement is deemed by the Group to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain. The person responsible for arranging the release of this announcement on behalf of the Group is Ashley Miller, Finance Director.*

## **Chairman's Statement**

I was delighted to be appointed Chairman in October 2017, ahead of the successful admission of the Group to AIM on 27 November 2017 and, on behalf of the Board, I am pleased to introduce Keystone Law's maiden results as a listed company.

The Group has continued to perform strongly this year with a 23.6% increase in revenue to £31.6m (2017: £25.6m) and an increase in underlying EBITDA\* of 42.7% to £3.27m (2017: £2.29m) (EBITDA increase of 28.8% to £2.7m from £2.1m), whilst underlying EBITDA margin has increased from 9% to 10.3% (EBITDA margin 8.4% up from 8.1%). The business has also continued to be strongly cash generative, with underlying operating cash flow of £2.8m (2017: £2.0m) representing an operating cash conversion of 86% (2017: 88%).

\* Underlying EBITDA for 2018 is calculated by adding flotation costs back to EBITDA. For 2017 one off costs arising from the relocation of the central office have been added back to EBITDA. Details of these calculations are shown in the financial review.

### **Admission to AIM**

Keystone Law's admission to AIM was a significant step in the development of the business. The response to the admission was positive, with demand exceeding the targeted raise of £10m. In response to this demand existing shareholders agreed to sell down some shares. As such, the float raised £15m which was satisfied by a new issue of £10m and £5m sell down. We are delighted to have brought on board supportive institutional shareholders and are confident that Keystone is well placed to exploit the market opportunity which exists today within the legal sector.

### **Dividend**

As indicated at the time of the float, the Board is proposing to pay a dividend in respect of the post admission period. The proposed dividend this financial year is, therefore, 0.84p per share.

### **Board and Governance**

The Board has been reorganised this year to better reflect the Governance requirements of a listed business. As such, in October 2017, Simon Philips stepped down as Non-executive Chairman whilst continuing to be a valued member of the Board as a Non-executive Director and Chairman of the Remuneration Committee and member of the Audit Committee. At the same time, I joined the Board as Non-executive Chairman and Peter Whiting joined as Senior Independent Director. Peter also chairs the Audit Committee and is a member of the Remuneration Committee. The executive members of the Board are James Knight, founder of the business and Chief Executive Officer and Ashley Miller as Finance Director.

As a Board we acknowledge the importance of high standards of corporate governance and we intend to apply the Quoted Companies Alliance ("QCA") Code which sets out the standard of best practice for small and mid-size quoted companies.

### **People**

Keystone's people are at the very heart of the success of the business. Its unique culture and ethos are core elements of its ongoing success and the Board recognises that these essential elements must continue to be a core focus, so that what makes the business special today will continue into the future. Keystone aims to provide not only a platform through which its people can excel professionally but also an environment in which they can

do so enjoyably. I would like to take this opportunity to thank the entire Keystone community for their ongoing commitment in making the Group the success which it is today.

**Outlook**

This is an exciting time for the business, the market opportunity is substantial and the business is well structured with a clear growth strategy to build on the strong business performance that these maiden results reflect.

**Robin Williams**

**Non-executive Chairman**

## **Chief Executive's Review**

### **Introduction and Highlights**

This year has been another successful twelve months of profitable growth for Keystone. Financially, revenue has grown 24%, profit margins have continued to increase and cash generation has been strong. Keystone has continued to demonstrate that it is an extremely attractive proposition for both clients and those lawyers who work within the UK legal "mid-market". Our client base has developed strongly with those new clients being spread evenly across all the sectors in which we operate. The quantity of applicants who are looking to join Keystone has remained steady and the calibre of lawyers accepted into the firm has remained extremely high.

We have also received significant external recognition this year. We broke into The Lawyer magazine's list of the Top 100 UK law firms (based on revenue) and into Legal Week Magazine's Best Legal Advisers Report 2016-2017 (published in 2017 and based on client feedback) where we were the only firm to be ranked in the top five of all categories surveyed. These accolades are highly gratifying as they recognise both the growth of the firm as well as the quality of the client service we deliver. The year culminated with our admission to AIM, which was extremely successful, a result which endorsed our own confidence in the strength and potential of the business and the market opportunity which exists.

### **Keystone's strategy and delivery against it**

As communicated at the time of the AIM listing, Keystone's principal strategy is to grow the business organically by attracting quality lawyers who have strong client relationships and the skills to win business. The level of support and infrastructure provided by Keystone, combined with the freedom, flexibility and remuneration engendered by its business model is highly attractive to UK lawyers, a circumstance that we believe will continue to develop further.

We have had another extremely active year on the lawyer recruitment front, and I am happy to report that the number of qualified new applicants which we received has increased by 24% year on year, whilst the number of candidates accepting offers has increased by 15%. As a result of this the total number of fee earners has gone up from 228 to 266 and we start the new financial year with a strong pipeline of applicants for the coming year.

As ever, recruitment has been driven across a broad front using all suitable channels to market. The direct channel (applicants applying directly to the business in an unsolicited manner) once again contributed the largest share of new applicants and the team has worked consistently to drive targeted marketing campaigns towards relevant lawyers employed by conventional law firms. The success of the "Quit the Circus" campaign which ran through the summer and autumn period not only drove a significant uplift in new applicants but also won "Marketing Campaign of the Year" at the Modern Law Awards.

Our greatest asset is our people, and our existing lawyers are our greatest ambassadors. Introductions of new applicants by lawyers who are already at the firm have continued to grow this year, reflecting the confidence our existing lawyers have in the Keystone model. Over the years Keystone has developed its own culture and personality, one where hard work and success lives in harmony alongside happiness and job satisfaction. I would like to take this opportunity to thank Keystone's lawyers for their continuing commitment to Keystone and all that it stands for.

The overall strength of the Keystone brand is crucial in attracting and retaining both clients and lawyers. I firmly believe that our admission to AIM has enhanced and strengthened that brand and that this will help support our ambitious growth plans.

### **Investment in infrastructure**

#### **Keyed In**

Keyed In is the proprietary software platform at the heart of Keystone. It supports and facilitates our lawyers in their work and it is the key interface between them and the administrative team based in the central office. Whilst the continual development and improvement of our systems is a core function at Keystone, this year we have developed and released a completely new version of Keyed In. Built on the success of the existing platform but redeveloped using “best in class” open source software, the new platform is more efficient and easier to support and enhance and as such both facilitates growth and also reduces risk to the business. The latest version of Keyed In not only provides the business with a modern and scalable platform which will support the growth plans of the business into the future but also facilitates our lawyers to be even more productive in how they work with the ability to access it from any device including mobile phones and tablets. This has been an important and significant project which has been successfully delivered and I would like to thank all of those who have been involved in making this happen.

#### **Chancery Lane Office**

This has been the first full year of operating from our new offices in Chancery Lane. The move to Chancery Lane was an important step for Keystone, ensuring that the physical presence of the firm matched the expectations of its clients and lawyers whilst providing a pleasant and efficient working environment for the central office team. The new offices are perfectly situated, placing Keystone right in the heart of the legal world. The facilities available for the clients and lawyers are entirely appropriate for the successful “mid-market” law firm we are today and a suitable platform for the business over the coming years.

#### **Central office team**

It has also been another busy year for all of those in the central office team. As a team we remain committed to delivering the highest level of service to our clients and lawyers. It is the delivery of these services which make it possible for the lawyers to focus on delivering high quality legal work to many thousands of important clients. There are many individual achievements across the teams but for now I would just like to thank the whole central office team who have worked tirelessly to help us achieve another successful year.

#### **Looking ahead**

This is a truly exciting time for Keystone. The market sector in which we operate is substantial and developing in a way that makes Keystone’s business model increasingly attractive to quality lawyers and their valuable clients. As technological advances continue to fuel the demand for flexible and mobile working solutions, Keystone’s first mover advantage puts us in an excellent position to benefit from the significant cultural changes now taking place within the legal profession.

The current year has started well and is in line with the Board’s expectation and we look forward to another year of sustainable organic growth.

**James Knight**

**Chief Executive**

## **Financial Review and Strategic Report**

### **Key Performance Indicators (KPI's)**

The following KPI's are used by the management to monitor the financial performance of the Group.

Revenue Growth: 23.6% increase

Underlying EBITDA growth: 42.7% increase

Underlying EBITDA %: 10.3% (2017: 9%)

EBITDA growth: 28.8% increase

EBITDA %: 8.4% (2017: 8.1%)

Underlying operating cash conversion %: 86% (2017: 88%)

Trade debtor days 42 (2017: 41)

Net Assets: £12.6m (2017: £1.5m)

The calculation of underlying EBITDA is shown below.

### **Income Statement**

I am pleased to report revenue for the year of £31.6m; an increase of 23.6% on the prior year. Revenue growth has been driven by the lawyers recruited last year contributing a full year of productivity as well as contributions from the lawyers who have been recruited during this year, with lawyer numbers increasing from 228 to 266.

### **Gross Profit**

The gross profit margin of the business has increased this year to 27.6% (2017: 25.7%). At the end of last financial year, the business reviewed the remuneration structure of the lawyers. Prior to this point, there had been certain circumstances under which Keystone paid out more than 75% of fees earned to lawyers; with effect from 1 February 2017 a change was made so that Keystone always earns at least a 25% gross margin. The financial effect of these changes has been to increase the underlying margin of the business by just over 1%. The remaining increase in gross margin has been driven by a growth in the revenue generated by the employed in house fee earners as well as margin only income which the Group receives from operations in the Isle of Man.

### **Overhead Costs**

This year, there have been two events which have caused the overhead base of the business to step up; the move to our new offices in Chancery Lane (£0.15m) and the change from a Private to a Public Company (£0.2m). Excluding these, overheads (excluding exceptional costs), increased by 20.9%.



## EBITDA

In assessing the performance, the business uses an adjusted EBITDA as a KPI as this excludes items which are non-recurring in nature. Below is a table which shows how EBITDA is adjusted to arrive at the underlying EBITDA.

	2018	2017
	£'000	£'000
EBITDA	2,666	2,069
Flotation costs	604	0
Double run of property	0	147
Dilapidations provision	0	75
Underlying EBITDA	<u>3,270</u>	<u>2,291</u>

Underlying EBITDA has increased by 42.7% to £3.3m (2017: £2.3m). The continued operational gearing in the business has meant that underlying EBITDA margin has also risen to 10.3% (2017: 9%).

## Flotation Costs

On 27<sup>th</sup> November 2017 the Group was successfully admitted to AIM. The total cost directly attributable to the transaction was £1.1m of which £0.5m has been allocated to share premium and the balance being charged as a cost in the period.

## Taxation

The effective tax rate of 17.8% is lower than the standard rate and that of the prior year (27.8%) due to the impact of certain non-recurring items. There have been three items which are non-recurring in nature this year; the exceptional costs associated with the successful AIM listing, the deduction of interest on loan notes which was previously disallowed but are allowable this year as the interest has been paid and an additional R&D tax credit for the development work on Keyed In. Excluding these items, the underlying effective tax rate would have been 20.8%.

## Earnings Per Share

The underlying basic earnings per share, based on the weighted average number of shares of 26.3m shares (2017: 25.0m shares adjusted for the bonus issue and share consolidation in the year) was 12.4p per share (2017: 7.6p). Underlying earnings are stated after adding back flotation costs in 2018 and one off costs arising from moving offices in 2017 as well as amortisation in both years. Whilst basic earnings per share (being net profit for the year divided by the number of shares used above) has increased from 3.5p to 6.0p. Had the earnings per share been calculated against the closing number of shares (31m) then the underlying earnings per share would have been 8.1p per share.

## Statement of financial position

### Cash

The Group's business model is strongly cash generative due to its most significant cost, the fees paid to lawyers, only being paid once Keystone has been paid for the work they have delivered. As such, underlying operating

cash conversion for the year was 86% (2017: 88%) generating underlying operating cash flow of £2.8m (2017: £2.0m). Capital expenditure was £0.03m and corporation tax payments were £0.5m. The successful AIM listing raised £10m which, as indicated at the time of the admission, was used to pay down the Group's debt to leave the business debt free and to cover the costs of the IPO (£0.2m of which remain unpaid at the year end). As such, as at 31 January 2018, the Group has no debt and a cash balance of £3.6m.

#### **Net Assets**

The net assets of the Group have improved from £1.5m to £12.6m. This has been predominantly caused by the funds raised on listing.

#### **Dividend**

The Board is recommending a final dividend of 0.84p per share. The proposed final dividend will be payable on 2 July 2018 to shareholders on the register at the close of business on 15 June 2018. The shares will go ex-dividend on 14 June 2018.

At the time of the admission to AIM, the Board indicated that it aimed to pay a dividend equivalent to 2/3rds of post-tax profits for the year ending 31 January 2019 and that it would pay a dividend in respect of the post admission period on a similar basis. The total dividend proposed for the year ended 31 January 2018 is equivalent to 18.08% (being the proportion of the year post admission) of 2/3rds of the post-tax profit (pre-flotation costs).

#### **On behalf of the board**

**Ashley Miller**

**Finance Director**

**KEYSTONE LAW GROUP PLC**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Year ended 31 January 2018

	Note	2018 £	Restated 2017 £
Revenue		31,600,490	25,558,975
Cost of sales		<u>(22,891,379)</u>	<u>(18,994,015)</u>
Gross profit		8,709,111	6,564,960
Depreciation and amortisation	2	(382,266)	(386,086)
Flotation costs	2	(603,581)	-
Administrative expenses	2	(5,448,143)	(4,571,973)
Other operating income		<u>8,406</u>	<u>76,614</u>
Operating profit		<u>2,283,527</u>	<u>1,683,515</u>
Finance income		41,368	29,786
Finance costs		<u>(392,462)</u>	<u>(512,649)</u>
Profit before tax		1,932,433	1,200,652
Corporation tax expense		<u>(344,520)</u>	<u>(332,842)</u>
Profit and total comprehensive income for the year attributable to owners of the Parent		<u>1,587,913</u>	<u>867,810</u>
Basic and diluted EPS (p)		<u>6.0</u>	<u>3.5</u>

The above results were derived from continuing operations.

**KEYSTONE LAW GROUP PLC**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 31 January 2018**

	Note	2018 £	Restated 2017 £	Restated 2016 £
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		50,392	50,735	49,231
Intangible assets		7,161,258	7,512,142	7,863,026
Available-for-sale financial assets		13,628	13,628	13,628
		<u>7,225,278</u>	<u>7,576,505</u>	<u>7,925,885</u>
<b>Current assets</b>				
Trade and other receivables		11,994,713	9,283,626	6,593,269
Cash and cash equivalents		3,589,769	714,266	446,353
		<u>15,584,682</u>	<u>9,997,892</u>	<u>7,039,622</u>
<b>Total assets</b>		<u>22,809,960</u>	<u>17,574,397</u>	<u>14,965,507</u>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	3	62,548	471	471
Share premium		9,920,760	428,123	428,123
Retained earnings		2,568,343	1,030,005	162,195
Equity attributable to equity holders of the Parent		<u>12,551,651</u>	<u>1,458,599</u>	<u>590,789</u>
<b>Non-current liabilities</b>				
Borrowings		-	5,771,427	6,971,427
Deferred tax liabilities		477,355	547,533	615,737
		<u>477,355</u>	<u>6,318,960</u>	<u>7,587,164</u>
<b>Current liabilities</b>				
Trade and other payables		9,646,204	8,338,738	5,492,290
Borrowings		-	1,200,000	886,997
Corporation tax liability		59,750	183,100	408,267
Provisions		75,000	75,000	-
		<u>9,780,954</u>	<u>9,796,838</u>	<u>6,787,554</u>
<b>Total liabilities</b>		<u>10,258,309</u>	<u>16,115,798</u>	<u>14,374,718</u>
<b>Total equity and liabilities</b>		<u>22,809,960</u>	<u>17,574,397</u>	<u>14,965,507</u>

**A Miller**

**Director**

**Keystone Law Group Plc**

Registered No: 09038082

**KEYSTONE LAW GROUP PLC**  
**STATEMENT OF CHANGES IN EQUITY**  
Year ended 31 January 2018

**Attributable to equity holders of the Parent**

	<b>Note</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Retained earnings</b>	<b>Total</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 February 2016 (restated)		449	428,123	162,195	590,789
Profit for the year and total comprehensive income		-	-	867,810	867,810
At 31 January 2017 (restated)		471	428,123	1,030,005	1,458,599
Profit for the year and total comprehensive income		-	-	1,587,913	1,587,913
Bonus Share Issue	3	49,575		(49,575)	-
New share capital subscribed	3	12,502	9,492,637		9,505,139
At 31 January 2018		62,548	9,920,760	2,568,343	12,551,651

**KEYSTONE LAW GROUP PLC**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
Year ended 31 January 2018

	2018 £	Restated 2017 £
<b>Cash flows from operating activities</b>		
Profit before tax	1,932,433	1,200,652
Adjustments to cash flows from non-cash items		
Depreciation and amortisation	2     382,266	386,086
Loss on disposal of property plant and equipment	-	33,619
Finance income	(41,368)	(29,786)
Finance costs	392,462	512,649
	<u>2,665,793</u>	<u>2,103,220</u>
Working capital adjustments		
Increase in trade and other receivables	(2,711,087)	(2,690,357)
Increase in trade and other payables	2,484,063	2,340,925
Increase in provisions	-	75,000
	<u>2,438,769</u>	<u>1,828,788</u>
Cash generated from operations	2,438,769	1,828,788
Interest Paid	(2,870)	(7,126)
Corporation taxes paid	(538,049)	(626,212)
	<u>1,897,850</u>	<u>1,195,410</u>
Cash generated from operating activities	1,897,850	1,195,410
<b>Cash flows from investing / (used in) activities</b>		
Interest received	41,368	29,786
Purchases of property plant and equipment	(31,039)	(70,325)
	<u>10,329</u>	<u>(40,539)</u>
Net cash generated from investing activities	10,329	(40,539)
<b>Cash flows from financing activities</b>		
Proceeds from issue of ordinary shares, net of issue costs	9,505,142	-
Repayment of other borrowings	(8,537,617)	(886,998)
	<u>967,525</u>	<u>(886,998)</u>
Net cash generated from / (used in) financing activities	967,525	(886,998)
Net increase in cash and cash equivalents	2,875,704	267,913
<b>Cash at 1 February</b>	<u>714,266</u>	<u>446,353</u>
<b>Cash at 31 January</b>	<u>3,589,970</u>	<u>714,266</u>

**KEYSTONE LAW GROUP PLC**  
**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 Financial Statements are presented in Pounds Sterling, being the functional currency of the Group.

**Accounting policies**

**Statement of compliance**

The 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 preliminary announcement does not constitute full financial statements.

The results for the year ended 31 January 2018 included in this preliminary announcement are extracted from the audited financial statements for the year ended 31 January 2018 which were approved by the Directors on 24 April 2018. The auditor's report on those financial statements was unqualified. It did not include a statement under Section 498(2) or 498(3) of the Companies Act 2006.

The 2018 annual report will be posted to shareholders and included within the investor relations section of our website in due course and will be considered at the Annual General Meeting to be held on 27 June 2018. The financial statements for the year ended 31 January 2018 have not yet been delivered to the Registrar of Companies.

The auditor's report on the consolidated financial statements of Keystone Law Group plc for the period ended 31 January 2017 was unqualified and did not include a statement under Section 498(2) or 498(3) of the Companies Act 2006. The financial statements for the period ended 31 January 2017 have been delivered to the Registrar of Companies.

**Going concern**

The Group financial statements have 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. 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. The Group's forecasts and projections show that the Group has sufficient resources for both current and anticipated cash requirements.

**2. Expenses by nature**

Expenses are comprised of:	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Depreciation	31,382	35,202
Amortisation	350,884	350,884
Flotation costs	603,581	-

Staff costs	2,326,260	1,975,404
Operating lease expense – property	238,427	246,671
Other administrative expenses	3,104,255	2,465,469
	<u>6,654,789</u>	<u>5,073,630</u>

Included within staff costs above are the costs of employed fee earners who are included within cost of sale (2018: £220,799, 2017: £115,571).

### 3. Allotted, called up and fully paid shares – Group and Company

	As at 31 January 2018		As at 31 January 2017	
	No.	£	No.	£
A Ordinary shares of £10.00 each	-	-	2	20
Ordinary shares of £0.02 (2017: £0.0001 each)	31,273,941	62,548	428,573	429
Incentive Ordinary shares of £0.0001 each	-	-	22,552	22
	<u>31,273,941</u>	<u>62,548</u>	<u>451,127</u>	<u>471</u>

	Ordinary	Incentive	A Ordinary
As at 31 January 2017	428,573	22,552	2
Bonus issue	47,142,920	2,480,720	-
Consolidated 2:1	(23,785,747)	(1,251,636)	-
Incentive Shares converted to Ordinary	1,238,194	(1,251,636)	-
Shares redeemed	-	-	(2)
New Shares allotted	<u>6,250,000</u>	<u>-</u>	<u>-</u>
As at 31 January 2018	<u>31,273,941</u>	<u>-</u>	<u>-</u>

#### Rights, preferences and restrictions

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.

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

A Ordinary shares had no right to dividends and had 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% 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% of the votes capable of being cast.



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

The Incentive shares had no right to vote nor any right to dividends but were entitled to participate on a return of capital in liquidation or otherwise.

#### 4. Prior year adjustments

The prior year comparatives have been restated as detailed in the table below:

	Originally Stated	Change	Restated
	£	£	£
<b>Income Statement</b>			
Depreciation and amortisation	-	(386,086)	(386,086)
Administrative expenses	(4,607,175)	35,202	(4,571,973)
Operating Profit	2,034,399	(350,884)	1,683,515
Profit before tax	1,551,536	(350,884)	1,200,652
Corporation tax expense	(527,921)	195,079	(332,842)
Profit and total comprehensive income for the year attributable to owners of the parent	1,023,615	(155,805)	867,810
<b>Consolidated Statement of Financial Position</b>			
Intangible Assets	7,684,405	(172,263)	(7,512,142)
Deferred Tax Liabilities	(6,588)	(540,945)	(547,533)
Retained Earnings	1,743,213	(713,208)	1,030,005

In the consolidated financial statements these adjustments arise principally as a result of goodwill being analysed, as required by IFRS, between goodwill and lawyer relationships which is a separately identifiable intangible asset. The separate lawyer relationships intangible asset is amortised and as corresponding deferred tax liability has also been recognised.

In addition, within trade and other receivables, £604,326 of unbilled disbursements which were previously shown within trade receivables in 2017 have been included within other receivables in 2018 to better reflect the nature of the asset. The comparative has been adjusted to reflect this change.

- Ends -