For immediate release **8 May 2019**

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 final results for the year ended 31 January 2019 ('FY2019').

Financial Highlights

- Strong Revenue increase of 35.1% to £42.7 million (FY2018: £31.6 million)
- Adjusted PBT[1] of £5.1 million (FY2018: £3.3 million) representing growth of 56.8%
- Adjusted PBT[1] margin rising to 12.0% from 10.4% in FY2018
- Basic EPS of 12.2 pence (on 31.3 million shares) is up from 6.0 pence (on 26.3 million shares)
- Adjusted EPS[2] of 13.4 pence is up from 9.4 pence
- Operating cash conversion of 91% driven by underlying strongly cash generative business model
- Proposed 6.5 pence dividend, bringing full year dividend to 9.0 pence, in line with policy set out on IPO[3]
- First full year final results reported comfortably ahead of market expectations

[1] Adjusted PBT for 2019 is calculated by adding amortisation and share based payment costs back to PBT. For 2018 flotation costs and loan note interest costs have also been added back. Details of these calculations are shown in the financial review.

[2] The adjustments made to profit in calculating adjusted PBT have been made to earnings in order to calculate adjusted EPS.

[3] On IPO the Group stated that it intended to pay a dividend of 2/3rds PAT for the year ending 31 January 2019 with a progressive dividend policy thereafter.

Business highlights

- Lawyer recruitment strong with accepted offers by Principals[1] up 6.8% to 63 (2018: 59)
- Principal[1] lawyer numbers rising 13.5% from 244 to 277 and increasing demand for juniors to support them
- Total fee earners have increased 20.6% from 266 to 321
- Ongoing investment in technology focused on enhancing security and visibility across the IT estate as well as enhancing operational efficiency and lawyer experience
- Significant external recognition, once again featuring in both The Lawyer magazine's list of the Top 100 UK law firms based on revenue and Legal Week magazine's Best Legal Advisers Report
- Group well positioned, with clear growth strategy, to exploit substantial £9 billion UK legal mid-market opportunity

[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 happy to report that the business has performed strongly throughout our first full year as a public company and as such has delivered good growth across all the business KPIs. Revenue and profit growth have converted to cash and this means that we are in a position to pay out a dividend of 2/3rds adjusted PAT which is in line with what we said at the time of the IPO.

"The benefits offered by the Keystone business model, as well as the increasing brand recognition within the legal profession, continue to make Keystone a highly attractive proposition for high calibre lawyers seeking a different way to develop their practice. As such I strongly believe that Keystone is well-positioned to take advantage of the significant market opportunity in the UK mid-market legal services market, which we believe is ripe for disruption.

"The current year has started well and the activity of the existing lawyers, together with the strength of our recruitment pipeline, gives me great confidence that the business will deliver another year of strong performance and profit growth. I look forward to another exciting year of growth and development as we continue to pursue our strategy for success."

- Ends -

For further information:

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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 270 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/

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

On behalf of the Board, I am pleased to introduce Keystone Law's first full year results as a quoted company.

This has been another strong year for the Group, with revenue increasing by 35% to £42.7m (2018: £31.6m) and adjusted PBT* increasing by 57% to £5.1m (2018: £3.3m) (PBT increase of 145% to £4.7m from £1.9m), whilst adjusted PBT margin has increased from 10.4% to 12.0% (PBT margin 11.1% up from 6.1%). The business has also continued to be strongly cash generative, with cash generated from operations of £4.6m (2018: £2.4m) representing an operating cash conversion of 91% (2018: 91%).

Dividend

In accordance with the Group's stated dividend policy, the Board is proposing to pay a final dividend for the year ended 31 January 2019 of 6.5p per share (2018: 0.84p per share in respect of post admission period). This brings the total dividend for the year to 9.0p.

Board and Governance

This year has been our first full year operating as a Plc Board and I am happy to report that the business has moved smoothly to adopt the structures and governance requirements of a quoted business. We have also carried out our first Board effectiveness review, this was a positive exercise which highlighted no specific adverse issues and served to support points of focus for the coming year.

During the year, the London Stock Exchange announced changes to its rules, requiring all AIM quoted companies to apply a recognised corporate governance code and to explain how they do this. From the start of our period as an AIM company, as a Board, we acknowledged the importance of high standards of corporate governance and announced our intention to apply the Quoted Companies Alliance (QCA) Code. The QCA has also issued a new edition of the code this year which sets out the 10 Principles of Corporate Governance with guidance on how these should be satisfied. In our Corporate Governance Statement, we set out how these principles have been applied in our business.

*Adjusted *PBT for 2019 is calculated by adding share based payment costs and amortisation to PBT (2018: calculated by adding flotation costs, amortisation and loan note interest back to PBT). Details of these calculations are shown in the Financial Review.*

Our People and Technology

Keystone is driven by its people and its technology. It is the people who work for and with us that make the business such a successful and rewarding place to work. We place great emphasis on, and dedicate much time and effort towards attracting and retaining people of the highest calibre to work with us. Our modern agile business model provides the platform for our people to excel professionally whilst benefiting from the efficiencies and flexibility afforded by modern technology. It is this combination of our structure and culture which underpins everything we do and which drives our business forwards.

Outlook

This year has started well and in line with the Board's expectations.

We continue to focus on our core strategy of organic growth through the recruitment of lawyers from within the UK legal mid-market which remains a substantial opportunity for us. Although the outlook for the UK economy as a whole is somewhat uncertain at this time, we remain confident that our business model, together with the size of the market opportunity are sufficient to ensure that we will continue to deliver strong results.

Robin Williams
Non-executive Chairman
7 May 2019

CHIEF EXECUTIVE'S REVIEW

Introduction and Highlights

This year has been another exciting and successful year in the history of Keystone. In our first full year as a public company the business has continued to deliver strong growth across all metrics and the increased brand recognition which we sought to achieve through the admission to AIM has certainly been achieved. Financially, revenue has grown 35%, profit margins have continued to increase and cash generation has been strong. The business has continued to demonstrate its appeal to high calibre lawyers and their clients within the UK legal "mid-market". The number of lawyers who successfully completed our recruitment process has continued to grow and the calibre of lawyers accepted into the firm has remained extremely high. This year, not only has the number of Principal lawyers (senior lawyers who contract with Keystone) increased but we have also seen an increase in the demand for additional support from junior lawyers which has been met either centrally or by means of the lawyers recruiting their own juniors to further grow their practices.

We have continued to receive significant external recognition this year; featuring again, amongst other reports, in The Lawyer Magazine's list of the Top 100 UK law firms (based on revenue) and Legal Week magazine's Best Legal Advisers Report 2017-2018 (based on client feedback). These accolades are highly gratifying as they recognise the growth of the firm, the quality of the client service we deliver and the strength of our brand in the market place. Furthermore, being a public company has resulted in a considerable amount of recognition, not only in the legal press but also in the in the non-legal press which has done much to enhance the Keystone brand and promote it to a whole new audience.

Keystone's strategy and delivery against it

The strategy of the Group remains as previously communicated: to grow the business organically by attracting quality lawyers with strong client relationships and the skills to win business. The strategy is very much focused on growing within the UK legal services mid-market which is substantial and highly receptive to our business model. 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.

The growth and development team has had another successful year driving recruitment forwards. The number of Principal lawyers* accepting offers has increased by 6.8% to 63 this year (2018: 59). Last year, we launched a number of campaigns using a new social media channel which resulted in a significant increase in the number of new applicants received (2017: 2, 2018: 40 and 2019: 19 via this channel). However, whilst this channel has proven to be good for brand awareness, it has not been successful in generating successful applicants; with only one candidate from this source being accepted over the period. New Principal lawyer* applicants from all other channels have increased by 8% to 230 (2018: 212). The increases in both acceptances and applicants (from established channels) have been driven predominantly through additional referrals from our existing lawyers and growth in numbers from recruitment agencies. The former, being an ongoing endorsement of the level of satisfaction enjoyed by Keystone's lawyers and the latter being an indication of a growing acceptance of the Keystone model within the legal community.

This year, we have seen an increase in the number of our Principal lawyers seeking to recruit their own juniors or colleagues to work alongside them, with 15 Principals recruiting a net 20 fee earners (2018: 4 Principals recruited a net 5). Such juniors / colleagues are employed by or contract with the Principal lawyer's service company but are, to all other intents and purposes a Keystone lawyer. As such, they are fully vetted by the Central office to ensure that the quality of the services received by the clients remains of the highest calibre. As is the case for the Principal lawyers, these juniors sign a compliance agreement with Keystone and are required to comply with all rules and regulations governing Keystone's lawyers' professional conduct. This development further demonstrates the flexible and scalable nature of our model; the Principal lawyers are able to scale their practice and benefit from the additional fees that their service companies receive, whilst Keystone benefits from the increasing size of the practices which these lawyers are able to build.

Over and above this, we have also seen a general increase in the demand for junior lawyers; this demand continues to be met by the lawyers employed by the central office. These lawyers provide a high quality and readily accessible resource for those Principals who either do not need full time support or who simply prefer not to take on a permanently employed resource themselves.

The overall strength of the Keystone brand continues to grow and this remains an essential part of the appeal to both attracting and retaining clients and lawyers.

Ongoing Investment in IT

IT is a fundamental part of the success of the Keystone model, facilitating the modern agile way in which our lawyers work. As such ongoing improvement and development of our technology platform and solutions is a core function of the Group.

IT security is a constant focus of our team and this year we have launched two new initiatives to further enhance the protection and visibility across our IT estate. These initiatives are best in class third party solutions specifically developed to address the challenges presented in managing an agile IT infrastructure environment. The first of these is a next generation anti-virus solution which not only does everything that a conventional anti-virus would do but also uses machine learning to enhance the protection provided. The second provides enhanced visibility of the devices operating on our network, as well as providing tools which improve efficiency in rolling out new products across the estate.

Whilst the introduction of the new GDPR legislation this year presented a business opportunity for a number of our lawyers, it also placed new data regulation on the business. As part of the project to ensure compliance with this, a full data audit of the Group was carried out and appropriate steps taken to address the new requirements which the legislation placed upon the business. This project was completed ahead of the implementation of GDPR regulation.

Following the launch of the latest version of Keyed In (Keystone's proprietary software platform) last year, we have continued to focus on delivering enhanced functionality and incremental improvements. We have also delivered a new module, designed to further improve the lawyer experience during the set up and onboarding process whilst also delivering operational efficiencies and further enhancing the scalability of the onboarding process.

Central office team

I would like to take this opportunity to thank all the staff of the central office team, who have worked hard throughout the year, delivering high quality support to our lawyers and their clients in an efficient and effective manner. We have continued to invest in our people growing the team where necessary and enhancing their skills so as to ensure that we have a team with the necessary aptitudes to support the ongoing growth of the Group. Across the disciplines we continue to attract and retain people of the highest calibre who work tirelessly to help us achieve the success which we aspire to and which we have enjoyed this year.

Looking ahead

Over the last year, Keystone's business model has again demonstrated its ability to attract high quality lawyers looking to develop their practice in an alternative manner together with the flexibility and potential the structure provides for Principal lawyers to build their own teams around them.

The current year has started well and the activity of the existing lawyers, together with the strength of our recruitment pipeline, gives me great confidence that the business will deliver another year of strong performance and profit growth. I look forward to another exciting year of growth and development as we continue to pursue our strategy for success.

James Knight
Chief Executive
7 May 2019

*Principal lawyers are the senior lawyers 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.

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: 35.1% increase (2018: 23.6%)
Adjusted PBT growth: 56.8% increase (2018: 43.4%)
Adjusted PBT margin: 12.0% (2018: 10.4%)
PBT growth: 145.5% increase (2018: 60.9%)
PBT margin: 11.1% (2018: 6.1%)
Operating cash conversion %: 91% (2018: 91%)
Trade debtor days: 40 (2018: 42)
Net Assets: £15.4m (2018: £12.6m)

The calculation of adjusted PBT is shown below.

Income Statement

I am pleased to report revenue for the year of £42.7m, an increase of 35.1% 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 principal lawyer numbers increasing from 244 to 277. This year, the business has also benefitted from a particularly significant piece of litigation work which has generated approximately £2.2m of revenue in the year.

Gross Profit

The gross profit margin of the business has fallen slightly this year to 27.1% (2018: 27.6%). This is principally caused by two factors; the reduction in the proportion of billing done on central office owned clients which was approx. 1% of the billing this year (2018: c. 5.75%); during last year there were a number of corporate transactions on clients "owned" by the central office (where lawyers are the client "owner" they get 15% of the fees, so where central office is the "owner" the pay away to lawyers is only 60% rather than the full 75%) which contributed to the level of fee income on these clients. This decline has been largely offset by the increased contribution of the lawyers employed by central office on whom we achieve a higher percentage gross profit, who contributed 3.1% of revenue (2018: 1.9%).

Overhead Costs

Overhead costs, excluding depreciation, amortisation, share based payments and flotation costs (from 2018) have increased by 21%. This has been driven in part by the full year impact of costs associated with being a Public Company (£0.2m impact this year). Excluding this, overheads would have increased by c. 17.5%.

Adjusted PBT

Adjusted PBT is calculated as follow:

	2019 £'000	2018 £'000
Profit before tax	4,745	1,932
Amortisation	**351**	351
Share based payments	**43**	–
Loan note interest	**–**	390
Flotation cost	**–**	604
Adjusted PBT	**5,139**	3,277

Adjusted PBT has increased by 56.8% to £5.1m (2018: £3.3m). The continued operational gearing in the business has meant that adjusted PBT margin has also risen to 12.0% (2018: 10.4%).

Taxation

The effective tax rate of 19.8% is higher than the standard rate and that of the prior year (17.8%) due to the impact of certain non-recurring items in the prior year. There were three items which are non-recurring in nature in the prior year; the exceptional costs associated with the successful AIM listing; the deduction of interest on loan notes which was previously disallowed but is 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

Basic earnings per share has increased from 6.0p to 12.2p, with the dilution effect from shares granted under LTIP being negligible. Adjusted earnings per share, (calculated by making the same adjustments to earnings as has been made in calculating adjusted PBT and divided by the average shares in circulation this year) has increased by 42.5% to 13.4p (2018: 9.4p).

Statement of financial position

Cash

The Group's business model is strongly cash generative because its most significant cost, the fees paid to lawyers, are only paid once Keystone has been paid for the work they have delivered. As such, operating cash conversion for the year was 91% (2018: 91%) generating cash from operations of £4.6m (2018: £2.7m). Capital expenditure was £0.04m and corporation tax payments were £0.9m. As such, cash generated by the business in the year was £3.8m (2018: £1.9m). The Group paid dividends of £1.0m (2018: Nil), leaving closing cash of £6.3m (2018: £3.6m) and no debt.

Net Assets

The net assets of the Group have improved from £12.6m to £15.4m, with the retained earnings of £3.8m being partly offset by the dividends paid.

Dividend

The Board is recommending a final dividend of 6.5p per share. This will bring the total dividend for the period to 9.0p (interim dividend paid of 2.5p per share) on the basis set out at the time of the IPO. The proposed final dividend will be payable on 12 July 2019 to shareholders on the register at the close of business on 14 June 2019. The shares will go ex-dividend on 13 June 2019.

On behalf of the Board.

Ashley Miller
Finance Director
7 May 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 JANUARY 2019

	Note	**2019** **£**	2018 £
Revenue		**42,689,253**	31,600,490
Cost of sales		**(31,107,330)**	(22,891,379)
Gross profit		**11,581,923**	8,709,111
Depreciation and amortisation	3	**(385,111)**	(382,266)
Flotation costs		**-**	(603,581)
Share based payments	4	**(43,205)**	-
Administrative expenses	3	**(6,594,276)**	(5,448,143)
Other operating income		**72,876**	8,406
Operating profit		**4,632,207**	2,283,527
Finance income		**120,463**	41,368
Finance costs		**(7,659)**	(392,462)
Profit before tax		**4,745,011**	1,932,433
Corporation tax expense		**(937,782)**	(344,520)
Profit and total comprehensive income for the year attributable to owners of the Parent		**3,807,229**	1,587,913
Basic and diluted EPS (p)	5	**12.2**	6.0

The above results were derived from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2019

	2019 £	2018 £
Assets		
Non-current assets		
Property, plant and equipment	**55,775**	50,392
Intangible assets	**6,810,373**	7,161,258
Available-for-sale financial assets	**13,628**	13,628
	6,879,776	7,225,278
Current assets		
Trade and other receivables	**14,510,726**	11,994,713
Cash and cash equivalents	**6,343,637**	3,589,969
	20,854,363	15,584,682
Total assets	**27,734,139**	22,809,960
Equity and liabilities		
Equity		
Share capital	**62,548**	62,548
Share premium	**9,920,760**	9,920,760
Share based payments reserve	**43,205**	–
Retained earnings	**5,331,002**	2,568,343
Equity attributable to equity holders of the Parent	**15,357,515**	12,551,651
Non-current liabilities		
Deferred tax liabilities	**407,177**	477,355
	407,177	477,355
Current liabilities		
Trade and other payables	**11,665,043**	9,646,204
Corporation tax liability	**210,291**	59,750
Provisions	**94,113**	75,000
	11,969,447	9,780,954
Total liabilities	**12,376,624**	10,258,309
Total equity and liabilities	**27,734,139**	22,809,960

A Miller
Director
Keystone Law Group Plc
Registered No: 09038082

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JANUARY 2019

		Attributable to equity holders of the Parent				
	Note	**Share capital £**	**Share premium £**	**Share based payments reserve £**	**Retained earnings £**	**Total £**
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		49,575	–	–	(49,575)	–
New share capital subscribed		12,502	9,492,637	–	–	9,505,139
At 31 January 2018		62,548	9,920,760	–	2,568,343	12,551,651
Profit for the year and total comprehensive income		–	–	–	3,807,229	3,807,229
Dividends paid in the year	6	–	–	–	(1,044,570)	(1,044,570)
Share based payments	4	–	–	43,205	–	43,205
At 31 January 2019		62,548	9,920,760	43,205	5,331,002	15,357,515

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 JANUARY 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Profit before tax		**4,745,011**	1,932,433
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	3	**385,111**	382,266
Share based payments	4	**43,205**	–
Finance income		**(120,463)**	(41,368)
Finance costs		**7,659**	392,462
		5,060,523	2,665,793
Working capital adjustments			
Increase in trade and other receivables		**(2,516,013)**	(2,711,087)
Increase in trade and other payables		**2,018,839**	2,484,063
Increase in provisions		**19,113**	–
Cash generated from operations		**4,582,462**	2,438,769
Interest paid		**(7,659)**	(2,870)
Corporation taxes paid		**(857,420)**	(538,049)
Cash generated from operating activities		**3,717,383**	1,897,850
Cash flows from investing/(used in) activities			
Interest received		**120,463**	41,368
Purchases of property plant and equipment		**(39,609)**	(31,039)
Net cash generated from investing activities		**80,854**	10,329
Cash flows from financing activities			
Dividends paid in year	6	**(1,044,570)**	–
Proceeds from issue of ordinary shares, net of issue costs		**–**	9,505,142
Repayment of other borrowings		**–**	(8,537,617)
Net cash generated (used in)/from financing activities		**(1,044,570)**	967,525
Net increase in cash and cash equivalents		**2,753,667**	2,875,704
Cash at 1 February		**3,589,970**	714,266
Cash at 31 January		**6,343,637**	3,589,970

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.

2. 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").

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES

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

BASIS OF PREPARATION

The preliminary announcement does not constitute full financial statements.

The results for the year ended 31 January 2019 included in this preliminary announcement are extracted from the audited financial statements for the year ended 31 January 2019 which were approved by the Directors on 7 May 2019. 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 2019 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 9 July 2018. The financial statements for the year ended 31 January 2019 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 2018 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 2018 have been delivered to the Registrar of Companies.

GOING CONCERN

The Group and Company 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 is cash positive, 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.

3. EXPENSES BY NATURE

Expenses are comprised of:

	2019 £	2018 £
Depreciation	**34,226**	31,382
Amortisation	**350,884**	350,884
Share based payments	**43,205**	–
Flotation costs	**–**	603,581
Staff costs	**2,884,754**	2,326,259
Operating lease expense – property	**280,777**	238,427
Other administrative expenses	**3,867,698**	3,104,256
	7,461,544	6,654,789

Included within staff costs above are the costs of employed fee earners who are included within cost of sales (2019: £438,952, 2018: £220,799).

4. EQUITY SETTLED SHARE-BASED PAYMENT PLANS (LTIP)

At this year's AGM the Group adopted the Keystone Law Long Term Incentive Plan 2018 (The Plan). The Plan is a discretionary benefit offered for the benefit of selected key employees. Its main purpose is to increase the alignment of interest of the employees with the long term goals and performance of the business and its shareholders.

Under the terms of the scheme, awards may either be granted as Nil Cost options or Performance Share Awards and the type, value, performance conditions and periods as well as who the grants are to be made are at the discretion of the Remuneration Committee.

A summary of the structure of the rules of the Plan are set out below:

- Awards may either be granted as Nil-Cost options or Performance Share Awards.
- Awards may be granted under this Plan during the 10 year period following the date of approval.
- Maximum number of shares awarded (excluding those which have lapsed) under the Plan may not exceed 5% of the share capital of the company.
- Maximum number of shares which may be awarded under any Share plan for the Company may not exceed 10% of the share capital of the company in 10 years preceding the date of issue.
- No individual may receive awards in any single year with a value greater than 100% of that individuals base salary.
- Awards are personal and non transferable.
- Grants shall be subject to a 3 year vesting period.
- Following vesting, shares are subject to a further 2 year holding period (save for allowing shares to be sold to pay the tax liability arising on the Vesting of the Award).
- Reduction of Awards and Clawback provisions are included.

The Company has the following number of performance shares granted under Awards during the year (none had been exercised at 31 January 2019):

	31 January 2018	**Granted**	**31 January 2019**
Performance Share Awards	**–**	92,208	**92,208**
Total	**–**	**92,208**	**92,208**

The weighted average remaining contractual life of the performance shares was 2.5 years at 31 January 2019.

The following table shows Share Awards held by Directors:

	31 January 2018	**Granted**	**31 January 2019**
A Miller	**–**	20,820	**20,820**
Total	**–**	**20,820**	**20,820**

The performance share awards issued include market-based performance conditions and have been valued using a combination of the Monte Carlo options pricing model (TSR tranche) and Black-Scholes method (EPS tranche). The charge for the year is £43,205 (2018: £Nil). The key assumptions used in the calculation of the fair value of the share based payments are as follows:

	EPS Tranche	**TSR Tranche**
Share price at grant date	£3.36	£3.36
Exercise price	£0.00	£0.00
Risk free rate	-	0.79%
Dividend yield	0.74%	0.74%
Expected term	3 years	3 years
Volatility (simulated TSR performance)	-	30%
Grant date TSR performance of Company	-	2.65%
Grant date median / upper quartile TSR performance of comparator group	-	0.34%/ 0.90%
Correlation	-	5%
Discount for post-vesting transfer restrictions	16.6%	16.6%

5. EARNINGS PER SHARE

The calculations of earnings per share are based on the following profits and number of shares:

	2019 £	2018 £
Profit attributable to owners of the parent	**3,807,299**	1,587,913
Adjusted earnings	**4,201,388**	2,931,970

	2019 No of shares	2018 No of shares
Weighted average number of shares		
For basic earnings per share	**31,273,941**	26,346,056
Dilutive effect of grants under LTIP	**53,447**	–
For diluted earnings per share	**31,327,388**	26,346,056
Basic earnings per share (p)	**12.2**	6.0
Diluted earnings per share (p)	**12.2**	6.0
Adjusted basic earnings per share (p)	**13.4**	9.4

Adjusted basic earnings is calculated by making the same adjustments made when calculating adjusted PBT from PBT. Adjusted basic earnings per share is calculated by taking adjusted earnings and dividing it by undiluted average shares for the current year.

6. DIVIDENDS

During the year, the Company paid the final dividend in respect of the year ended 31 January 2018, which was approved at the Company's 2018 AGM, of 0.84p as well has an interim dividend in respect of the year ended 31 January 2019 of 2.5p per share. As such the total dividend payments in the year amounted to £1,044,570 (2018: £Nil). The Directors will propose a resolution at the coming AGM to pay a final dividend of 6.5p per share (2018: £0.84) which, if approved, would result in a dividend payment of £2,032,806 (2018: £262,701).

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