KEYSTONE LAW

Annual Report and Accounts

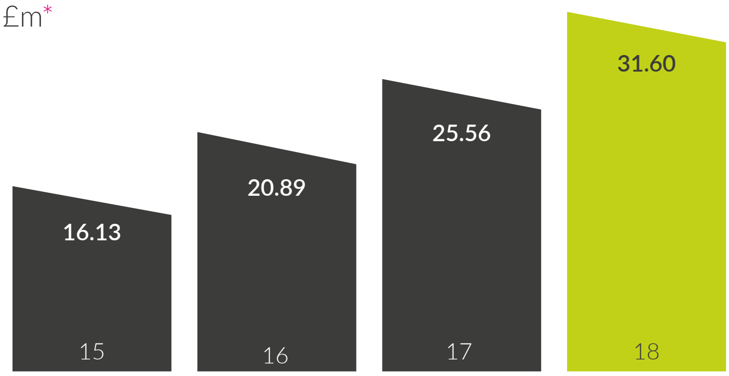
for the year ended 31 January 2018

KEYSTONE LAW

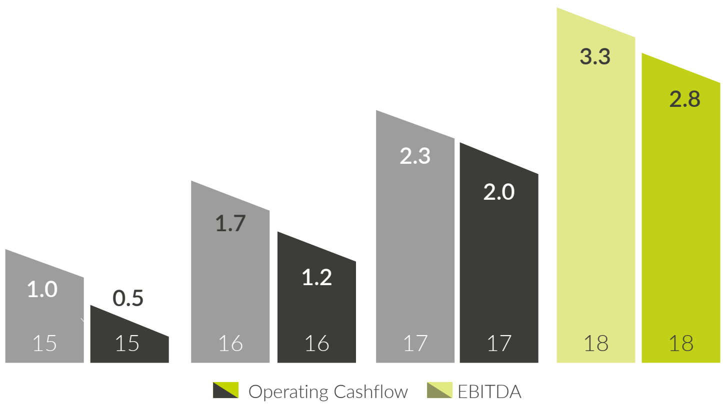
Fast growing, profitable and cash generative, Keystone Law is disrupting the traditional legal market.

Highlights

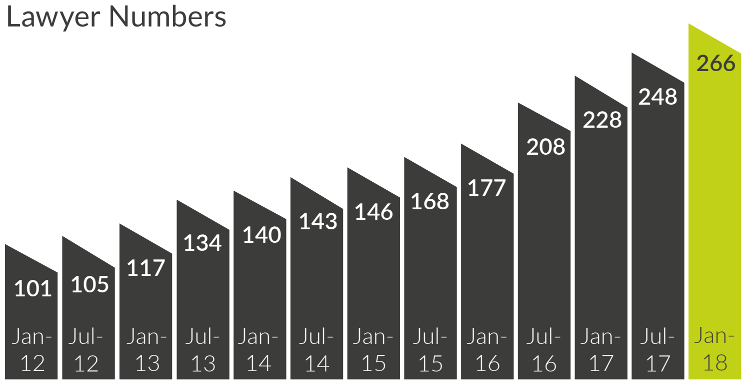
Revenue
£m*



Underlying EBITDA & Operating Cashflow
£m*



Lawyer Numbers



*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.

Contents

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%).

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.

*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.

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
24th April 2018

MARKET REVIEW

THE COMPOSITION OF THE UK LEGAL SERVICES MARKET

The UK Legal Services Market

The UK legal market is the second largest in terms of fee income in the world, representing approximately ten per cent. of global legal services, with annual fee revenue of £30.9 billion in 2014/15.

The UK is the largest legal market in Europe, second only to the US worldwide and is globally recognised as the most international due to the widespread use of English law as the framework for international commercial contracts and dispute resolution.

The "high street" market: this category covers the rest of the market and accounts for £7.45 billion revenue across 13,000 firms and employs approximately 27,000 lawyers, with the total number of fee earners being unavailable.

The "mid-market" (the largest 200 law firms in the country (including Keystone) excluding the global elite): these firms account for £8.78 billion annual fee income and employ approximately 47,000 fee earners (average revenue per fee earner of £185,500) (Source: The Lawyer Top 200, 2017).

The "global elite" (the Magic Circle and Silver Circle firms and others that together make up the 15 largest UK firms by annual revenue): these firms focus on delivering complex legal services to the largest global businesses, generating in aggregate £14.67 billion annual fee income and employing over 39,000 fee earners, with an average revenue per fee earner of approximately £374,000 (Source: The Lawyer Top 200 2017).

Increasing complexity

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

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

THE MID-MARKET LAW FIRM MARKET

- **Changes to legislative framework** – The Legal Services Act 2007 has allowed for changes to the delivery of legal services, resulting in both new entrants to the market and the creation of new business models which challenge the longstanding models of the traditional law firms. Prior to the Legal Services Act 2007, equity partnership was the only basis on which a lawyer could access the highest level of remuneration within a law firm.
- **Increasing commodisation of services** – The broader development and use of technology to deliver everyday services across the UK economy has meant that the services offered are more widely available and opportunities for differentiation more limited. This has resulted in increasing client pressure on fees and producing a marked shift in legal services pricing mechanisms expected by clients.
- **Macroeconomic climate** – The last decade has been a challenging time for the UK economy as a whole. Within the legal market this has manifested itself in increased pressure from clients on fees; at the same time businesses have continued to suffer from inflationary pressure on costs, especially property costs which represent a substantial part of the cost base of most traditional law firms. This has resulted in a long term squeeze on profits for law firms operating in the "mid-market".

IMPACT ON TRADITIONAL LAW FIRMS

- **Increased billing targets** – Within the traditional firms, the most common response has been to demand greater effort from those in senior associate and junior partner roles to deliver more revenue per head and drive business development whilst still retaining a high level of managerial responsibility.
- **Reduction in appeal of equity partnership** – Much of the historical appeal of equity partnership has reduced, with many junior partners no longer seeing the merits traditionally associated with that form of ownership. The cost of buying into partnerships is high and reduced profits in conventional mid-market law firms have meant that the return on equity invested is no longer as attractive as it was. Furthermore, with several high profile law firm insolvencies in recent years and the associated equity losses and personal liabilities for the equity partners involved, partnership of a mid-market law firm is no longer necessarily regarded as a secure investment.

OPPORTUNITY FOR KEYSTONE LAW

These dynamics have resulted in a significant number of experienced but dissatisfied lawyers across the UK mid-market seeking alternative ways to practise law.

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

COMPETITIVE LANDSCAPE

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

The Directors are currently aware of at least 20 other such firms (none of which was included in The Lawyer UK Top 200 2017 rankings), with approximately 800 consultant lawyers in aggregate.

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

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THE MARKET IS SUBSTANTIAL AND DEVELOPING IN A WAY WHICH MAKES KEYSTONE'S BUSINESS MODEL INCREASINGLY ATTRACTIVE TO QUALITY LAWYERS AND THEIR VALUABLE CLIENTS

James Knight

CHIEF EXECUTIVE'S REVIEW

Operational 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 continued to grow 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.

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OUR GREATEST ASSET IS OUR PEOPLE AND OUR EXISTING LAWYERS ARE OUR GREATEST AMBASSADORS.

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

James Knight
Chief Executive
24th April 2018

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 £'000	2017 £'000
EBITDA	**2,666**	2,069
Flotation costs	**604**	–
Double run of property	–	147
Dilapidations provision	–	75
Underlying EBITDA	**3,270**	2,291

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 27th 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
24th April 2018

PRINCIPAL RISKS AND UNCERTAINTIES

The Corporate Governance Report includes an overview of the Group's approach to risk management and internal controls. Set out below are the principal risks and uncertainties that the Group faces and the activities designed to mitigate these risks. The Board recognises that the nature and scope of risks can change and that there may be other risks to which the Group is exposed and therefore the list is not intended to be exhaustive.

	Risk	Mitigation
LITIGATION, PROFESSIONAL LIABILITY AND UNINSURED RISKS	Due to the nature of a law firm and its role of providing legal advice, the Group remains susceptible to potential liability for negligence, breach of contract and other client claims. From time to time, in the ordinary course of business, Keystone receives claims of professional negligence which it notifies to its insurers. Any potential claim may be expensive to defend, divert the time and focus of management away from the Group's operations and may result in the Group having to pay substantial monetary amounts, any of which could impact on the reputation of the Group and result in a material adverse effect on Keystone's business and overall financial condition.	We have a robust compliance and risk management team which focuses on supporting lawyers to reduce the risk that such issues may arise and to the extent that they do arise we seek to mitigate any such risk by carrying professional indemnity insurance with a cap of £30 million.
REGULATORY RISK AND COMPLIANCE RISKS	The Group, like most businesses is subject to a range of regulations. Failure to comply with these could have significant implications for the business ranging from reputational damage to criminal prosecution and sentencing.	The business has an experienced and robust compliance and risk management team which oversees the Group's policies and procedures ensuring that they meet the relevant regulatory requirements. The Group uses technology to support and drive compliant behaviour and to help the team to focus on areas of potential risk. Furthermore, the team calls upon external professional advice where needed to ensure that the business meets its compliance and regulatory obligations.
PERSONNEL	For any business, personnel is a particularly prominent asset heavily contributing to its strength and attractiveness. The Group is heavily reliant on its lawyers to attract new clients and also maintain relationships with existing clients. If the Group were to lose the services of key lawyers with high client retention rates, or cease to be able to attract new lawyers, this could significantly impair the strategy and success of the firm from both a reputational and financial standpoint.	The Group invests considerable time and effort in working to attract high quality new lawyer as well as focusing on ensuring that all lawyers feel a part of the Keystone "family". Furthermore, management continue to monitor the characteristics of the Keystone model to ensure that they remain commercially compelling and attractive to both existing and potential Keystone lawyers.

	Risk	Mitigation
CONTRACTUAL ARRANGEMENTS WITH LAWYERS	Keystone's lawyers are self-employed, contracting with the Group predominantly via personal service companies. The self-employed status of the Group's consultants is based not only on the contractual structure but also on the way in which the arrangements operate in practice. There is a risk that some of the consultant lawyers may be deemed to be workers or employees, and as such, would be entitled to additional benefits including, but not limited to, paid annual leave and sick pay. If this were to occur then in addition to the rights for workers, such lawyers would gain rights for unfair dismissal. If the consultant lawyers were deemed to be employees, then the tax treatment would be different and the Group would be liable for PAYE and national insurance contributions for such people deemed to be employees. Furthermore, if there is a change in employment law or tax law which means that the nature of the relationship which exists between the Group and its lawyers is not one of self-employment, then the rights and obligations referred to above could also be triggered	The Group monitors the legislative landscape for any developments which could have a bearing upon this relationship. Where necessary the Group would seek external professional advice to support it in assessing the implications of any such developments.
COMPETITION	Keystone competes with other legal firms that offer commercial law services in which quality of advice, service, reputation and value operate as highly competitive factors to distinguish the Group. Despite this, there remains a risk that competitor firms, or a newly established firm will acquire market share. Competition remains a core risk for the Group as any loss of market share could reduce revenue, reduce margins, reduce the ability to recruit new lawyers and reduce the retention rates of current personnel, any of which could materially adversely affect the Group's business operations and overall financial condition.	Keystone's growth strategy continues to be focused on attracting good quality lawyers with strong client relationships. By maintaining the calibre of lawyers attracted and retained management believe that they will maintain and enhance their position in the market. Management also continues to review monitor the characteristics of the Keystone model to ensure that they stay ahead of any current or future competitors.
INFORMATION SYSTEMS AND SYSTEM SECURITY BREACHES	IT forms an integral part of the business's operating model and as such any breakdown of the Group's information technology system could be significant. Also, as Keystone processes sensitive personal data it is possible that a security breach could result in some of this data becoming public. Were this to occur then Keystone could face liability under data protection laws and could lose the goodwill of any clients affected by such a breach.	Hosting and support of all systems is outsourced to a large, reputable business who is dedicated to the provision of these services. They are contracted to keep all data safe, secure and backed up. They utilise a number of tools and appliances to maintain Keystone's data integrity and security.

THE BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

JAMES KNIGHT
CHIEF EXECUTIVE OFFICER

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

ASHLEY MILLER
FINANCE DIRECTOR

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

NON-EXECUTIVE DIRECTORS

ROBIN WILLIAMS
INDEPENDENT NON-EXECUTIVE CHAIRMAN

Robin joined the Board in October 2017 as Independent Non-execuitve Chairman. He is also currently Chairman of Xaar Plc, FIH Group Plc and Stirling Industries Plc as well as NED and Chairman of the audit committee for Van Elle plc. He is a chartered accountant with 30 years' experience with listed companies initially as an adviser, then as a leading executive and latterly as non-executive.

PETER WHITING
SENIOR INDEPENDENT DIRECTOR

Peter joined the Board in October 2017 as Senior Independent Director and Chair of the audit committee. He is an experienced NED who is also currently Senior Independent Director and Chair of the remuneration committee of both FDM Group (Holdings) plc and Microgen plc as well as Non-executive Director and Chair of the remuneration committee of TruFin Plc. Earlier in his career he led the UK small and mid-cap research team at UBS and was Chief Operating Officer of UBS European Equity Research from 2007 to 2011.

SIMON PHILIPS
NON-EXECUTIVE DIRECTOR

Simon joined the Keystone board following the investment by Root Capital in October 2014 and was Chairman until October 2017. Since then he has been a Non-executive Director and Chair of the remuneration committee. He is an experienced entrepreneur in the software and outsourcing sectors and the Managing partner of private equity firm Root Capital.

CORPORATE GOVERNANCE STATEMENT

CHAIRMAN'S INTRODUCTION

In this section of our report, we set out our Corporate Governance Framework. This is our first statement since admission to AIM on 27 November 2017.

The Directors recognise the importance of sound corporate governance and intend to comply with the Corporate Governance Guidelines, to the extent appropriate for a Company of its nature and size. The Quoted companies Alliance Corporate Governance Code for small and mid-size Quoted Companies ("the QCA Code") were designed by the Quoted Companies Alliance ("the QCA") in consultation with a number of significant institutional small company investors as an alternative corporate governance code applicable to AIM companies. An alternative code was proposed because the QCA considers the UK Corporate Governance Code to be inappropriate for many AIM companies.

The Corporate Governance Guidelines state that "The purpose of good corporate governance is to ensure that the Company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term".

THE COMPOSITION OF THE BOARD

The Board comprises 5 directors, two executives and three Non-executives, reflecting a blend of different experience and background. Two of the Non-executives are considered independent.

HOW THE BOARD OPERATES

The Board is responsible for reviewing, formulating and approving the Group's strategy, budgets and corporate actions and oversee the Group's progress towards its goals. This is formally documented in a schedule of matters reserved for board approval and includes;

- Strategy and business plans, including annual budget
- Structure and capital including dividends
- Financial reporting and controls
- Internal controls on risk management and policies
- Significant contracts and expenditure
- Communication with shareholders
- Remuneration and employment benefits
- Changes to the board composition

BOARD MEETINGS

The Board has met once during the year following admission to AIM and has a programme of Board and Committee meetings for the current financial year. For all board meetings, an agenda is established and papers circulated in advance so that all Directors can give due consideration to the matters in hand. As a minimum the Board will meet four times per annum and the matters discussed include;

- Financial and Operating performance review including presentations from Senior Managers
- Progress on all strategic aims of the business
- Proposals on any areas of major expenditure
- Update on all governance legal, health & safety and risk matters

The Board will at least annually consider the Group's strategic plan and annual budget.

The following table shows directors attendance at scheduled board and committee meetings since admission.

	Board	Audit	Remuneration
James Knight	1/1		
Ashley Miller	1/1		
Robin Williams	1/1		1/1
Peter Whiting	1/1		1/1
Simon Philips	1/1		1/1

Due to the timing of the admission to AIM, there were no audit committee meetings held post IPO and pre year end. Since year end, there has been one audit committee meeting at which all the members of the committee were present.

BOARD DECISIONS AND ACTIVITY DURING THE YEAR

The Board has a schedule of regular business, financial and operational matters and each Board Committee has compiled a schedule of work to ensure that all areas for which the Board has responsibility are addressed and reviewed during the course of the year. The Chairman, aided by the Company Secretary, is responsible for ensuring the Directors receive accurate and timely information. The Company Secretary compiles the Board and Committee papers which are circulated to the Directors prior to the meetings. The Company Secretary also ensures that any feedback or suggestions for improvement on Board papers is fed back to management and ensures input is gathered from all Board members on matters that should be included for consideration at meetings. The Company Secretary provides minutes of each meeting and every Director is aware of the right to have any concerns minuted.

In addition to the board meetings there is regular communication between Executive and Non-executive Directors, including where appropriate updates on matters requiring attention prior to the next scheduled board meeting. It is intended that the Non-executive Directors will meet as appropriate, but not less than annually, without the Executive Directors being present.

BOARD COMMITTEES

The Board has delegated specific responsibilities to the Audit and Remuneration Committees. Each Committee has terms of reference setting out its duties, authority and reporting responsibilities. The terms of reference of each Committee were put in place at the time of the Company's admission to AIM and it is intended they will be kept under review to ensure they remain appropriate and reflect any changes in legislation, regulation or best practice. Each committee comprises the Non-executive Directors.

BOARD EFFECTIVENESS

The skills and experience of the Board are set out in their biographical details on pages 10 and 11. The experience and knowledge of each of the Directors gives them the ability to constructively challenge strategy and scrutinise performance. Robin and Peter joined the Board in October 2017 and have taken part in an induction process, during which they met with key employees and advisers and received presentations from the Executive Directors on strategy and finance. It is intended that, in the future, on joining the Board, new directors will undergo a formal programme which will be tailored to the existing knowledge and experience of the director concerned.

TIME COMMITMENTS

All Directors have been advised of the time required to fulfil the role prior to appointment and were asked to confirm that they could make the required commitment before they were appointed. This requirement is included in their letter of appointment.

DEVELOPMENT

The Company Secretary ensures that all Directors are kept abreast of changes in relevant legislation and regulations, with the assistance of the Group's advisers where appropriate. Executive Directors are subject to the Group's performance review process through which their performance against objectives is reviewed and their personal and professional development needs considered.

CONFLICTS OF INTEREST

At each meeting, the Board considers Directors' conflicts of interest. The Company's Articles of Association (Articles) provide for the Board to authorise any actual or potential conflicts of interest.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has purchased Directors' and Officers' liability insurance as allowed by the Company's Articles.

CORPORATE GOVERNANCE STATEMENT

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board has considered the need for an internal audit function, but has concluded that the internal control system in place is appropriate or the size and complexity of the Group.

The Board is also responsible for the identification and evaluation of major risks faced by the Group and for determining the appropriate course of action to manage those risks.

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

The audit committee is charged with the oversight of the internal financial controls and risk management systems, making recommendations to the Board on the appointment of auditors and the audit fee, monitoring and reviewing the conduct and control of the audit work as well as monitoring the integrity of all formal reports and announcements relating to the Group's financial performance. The Finance Director attends the committee meetings by invitation. The Committee has unrestricted access to the Group's auditors.

The members of the Audit Committee are:

Peter Whiting (Chairman)
Simon Philips
Robin Williams

The Committee considers all proposals for non-audit services and ensures that these do not impact on the objectivity and independence of the auditor. The Audit Committee in its meetings with the external auditor reviews the safeguards and procedures developed by the auditor to counter threats or perceived threats to their objectivity and independence and assess the effectiveness of the external audit. The Group's policy on non-audit services performed by the external auditor is to address any issues on a case by case basis.

REMUNERATION COMMITTEE

The remuneration committee reviews the performance of the executive directors, sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders and reviews and approves any proposed bonus entitlement. It will also be responsible for the consideration of any share based incentive schemes to be put in place across the Group.

The members of the Remuneration committee are:

Simon Philips (Chairman)
Peter Whiting
Robin Williams

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the financial statements of the group for the period ended 31 January 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group during the period were the provision of legal services. The results for the period and the financial position of the Group are as shown in the annexed financial statements. A review of the business and its future development is given in the Chairman's and Chief Executive's statements.

RESULTS AND DIVIDENDS

The results for the year are set out in the consolidated income statement on page 22. The directors propose a final dividend of 0.84p per share subject to the approval at the Annual General Meeting on 27 June 2018.

LIKELY FUTURE DEVELOPMENT

Our priorities for the following financial year are disclosed in the CEO's Report on pages 4 and 5.

SUBSTANTIAL SHAREHOLDINGS

As far as the Directors are aware, the only notifiable holdings equal to or in excess of 3% of the issued ordinary share capital at 16 April 2018 were as shown in the table below:

	No of Shares	% Holding
James Knight	11,832,127	37.8%
Root Capital Fund II LP	7,075,000	22.6%
William Robins	1,563,698	5.0%
River & Mercantile Asset Mgt	1,500,000	4.8%
Cavendish Asset Mgt	1,409,000	4.5%
The Stancroft Trust Ltd	1,250,000	4.0%
FIL Investment International	1,028,000	3.3%

DIRECTORS AND THEIR INTEREST

The directors who served throughout the year except where otherwise stated and in place at the date of this report are as follows:

James Knight	
Ashley Miller	
Robin Williams	Appointed October 2017
Peter Whiting	Appointed October 2017
Simon Philips	
William Robins	Resigned October 2017
Mark Machray	Resigned October 2017
Charles Stringer	Resigned November 2017

According to the register of Directors' interests maintained under the Companies Act, the following interests in shares of Group Companies were held by the Directors in office at the year ends:

	No of Shares	% Holding
James Knight	11,832,127	
Ashley Miller	247,672	
Simon Philips *		
Robin Williams	12,500	
Peter Whiting	21,875	

Simon Philips is one of the beneficial owners of the shares held by Root Capital Fund II. Although the Non-executive Directors hold shares, their holdings are at a level which does not impinge their independence.

DIRECTORS' REPORT

AUDITED DIRECTORS' REMUNERATION

Directors' remuneration payable in the year ended 31 January 2018 is set out below:

£'000	Salary & Fees	Bonus	Pension Contributions	Total 2018	Total 2017
James Knight	299	–	15	314	252
Ashley Miller	108	35	4	147	117
Simon Philips	17	–	–	17	–
Robin Williams	20	–	–	20	–
Peter Whiting	12	–	–	12	–
	456	**35**	**19**	**510**	**369**

DIRECTORS' INDEMNITIES

The Directors are entitled to be indemnified by the Company to the extent permitted by law and the Company's articles of association in respect of certain losses arising out of or in connection with the execution of their powers, duties and responsibilities.

The Company also purchased and maintained Directors' and Officers' Liability Insurance throughout the year.

SHARE CAPITAL

Details of share capital are given in Note 16 to the financial statements.

EMPLOYEES

The Group operates an equal opportunities employment policy. The Group's policy on recruitment, development, training and promotion includes provision to give full and fair consideration to disabled persons, having particular regard to their aptitudes and abilities. The Group appreciates and values the input of all its employees and encourages development and training to enhance employee skills. The Group ensures that employees are aware of any important matters that may impact on the performance of the Group

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

FINANCIAL RISK MANAGEMENT

Financial risk is managed by the Board on an ongoing basis. The key risks relating to the Group are outlined in more detail in note 25 to the consolidated financial statements.

The Group's principal risks and uncertainties are outlined in the strategic report.

POST BALANCE SHEET EVENTS

There have been no material post balance sheet events.

ANNUAL GENERAL MEETING

The Company's first AGM will be held on 27 June 2018.

POLITICAL DONATIONS

No political contributions were made during the year.

AUDITORS

A resolution to reappoint RSM UK Audit LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with Section 487(2) of the Companies Act 2006.

DISCLOSURE OF INFORMATION TO AUDITOR

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

On behalf of the board

Ashley Miller
Finance Director
24th April 2018

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare the group and company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

In preparing the group and company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and accounting estimates that are reasonable and prudent;
c. state whether they have been prepared in accordance with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the company financial statements;
d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KEYSTONE LAW GROUP PLC

OPINION

We have audited the financial statements of Keystone Law Group plc the 'group' for the year ended 31 January 2018 which comprise group and company statement of financial position, group statement of comprehensive income, group and company statement of changes in equity, group and company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REVENUE RECOGNITION AND ACCRUED INCOME

RISK

Revenue is the most significant component of the financial statements and there is a risk that this could be materially misstated due to recognising revenue in the incorrect accounting period. Additionally, revenue is materially impacted by changes in the accrued income balance which is subject to judgemental decisions by management.

The Group has recognised revenue of £31.6m in respect of lawyer fees billed and accrued in the year, revenue consists of a large number of relatively low value sales. Due to the large volume of transactions in the year there is a risk that not all of the matters in the year have been appropriately billed.

The Group accrued income balance at the year end is £4.5m, this has a matching cost liability of £3.3m in respect of the fees due to lawyers. The accrued income balance is calculated as a proportion of forecasted billings, the proportion used is based on historic billing information. There are inherent uncertainties in the estimations used.

For the above reasons, revenue recognition including accrued income is considered to be a key audit matter.

Refer to note 3 and 4 in the financial statements for the disclosures relating to the revenue and accrued income.

OUR RESPONSE

Our audit procedures included assessing the reasonableness of the revenue figure in relation to lawyer numbers in comparison to prior financial years. In addition, we documented and tested the control process in place to ensure that these controls had been applied. We also performed period-end cut off testing to ensure that revenue had been recognised in the correct accounting period. No issues were noted in the testing completed.

We assessed the reasonableness of the method and the assumptions used in calculating the accrued income balance, as well as the proportion of associated cost liability due to the lawyers. We re-performed the accrued income calculation based on the assessment of the assumptions made and did not identify a material difference from management's calculation.

GOODWILL AND INTANGIBLE ASSETS

RISK

The Group carries goodwill amounting to £4.8m in respect of past business acquisitions and intangible assets of £2.4m in respect of lawyer relationships. Lawyer relationships are amortised over a 10 year life. The recoverability of the goodwill and intangible assets arising on these acquisitions is dependent on the cash generating units to which goodwill is allocated generating sufficient cash flows in the future. Due to the significant management judgement in forecasting the cash flows and selecting an appropriate discount rate there is a high level of estimation uncertainty which results in there being a significant risk associated with determining whether goodwill is impaired. For these reasons, goodwill and intangible assets are considered to be a key audit matter.

Refer to note 12 in the financial statements for the disclosures relating to the goodwill and intangible assets and the related impairment calculations.

OUR RESPONSE

Our audit procedures included auditing the discounted cash flow model, testing and challenging the judgements and assumptions used by management in their assessment of whether goodwill had been impaired and performing sensitivity analysis on the cash flow model.

We have used our knowledge of comparable companies and market data to challenge the assumptions, in particular the revenue growth rate assumptions and the inputs and methodology in determining the discount rate used to calculate the present value of projected future cash flows.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KEYSTONE LAW GROUP PLC

We considered the historical accuracy of key assumptions by comparing the accuracy of the previous estimates of profitability and related cash flows to the actual amounts realised. We assessed management's sensitivity analysis of key assumptions, including the revenue growth forecasts and the discount rate and considered whether the disclosures about the sensitivity of the outcome of the impairment assessment to reasonably possible changes in key assumptions were adequate and properly reflected the risks inherent in the assessment of the carrying value of goodwill.

OUR APPLICATION OF MATERIALITY

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated as £255,000, which increased to £322,000 during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £10,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit was scoped by obtaining an understanding of the Group and its control environment, including Group-wide controls, and assessing the risks of material misstatement. The financial statements were audited on a consolidated basis using Group materiality. The scope of our audit covered 100% of both consolidated profit before tax and consolidated net assets.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Colin Roberts, FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street, London, EC4A 4AB
24th April 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 JANUARY 2018

	Note	2018 £	Restated 2017 £
Revenue	4	**31,600,490**	25,558,975
Cost of sales		**(22,891,379)**	(18,994,015)
Gross profit		**8,709,111**	6,564,960
Depreciation and amortisation	5	**(382,266)**	(386,086)
Flotation costs	5	**(603,581)**	–
Administrative expenses	5	**(5,448,143)**	(4,571,973)
Other operating income		**8,406**	76,614
Operating profit	6	**2,283,527**	1,683,515
Finance income	7	**41,368**	29,786
Finance costs	7	**(392,462)**	(512,649)
Profit before tax		**1,932,433**	1,200,652
Corporation tax expense	10	**(344,520)**	(332,842)
Profit and total comprehensive income for the year attributable to owners of the Parent		**1,587,913**	867,810
Basic and diluted EPS (p)		**6.0**	3.5

The above results were derived from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY 2018

	Note	2018 £	Restated 2017 £	Restated 2016 £
Assets				
Non-current assets				
Property, plant and equipment	11	**50,392**	50,735	49,231
Intangible assets	12	**7,161,258**	7,512,142	7,863,026
Available-for-sale financial assets	14	**13,628**	13,628	13,628
		7,225,278	7,576,505	7,925,885
Current assets				
Trade and other receivables	15	**11,994,713**	9,283,626	6,593,269
Cash and cash equivalents		**3,589,969**	714,266	446,353
		15,584,682	9,997,892	7,039,622
Total assets		**22,809,960**	17,574,397	14,965,507
Equity and liabilities				
Equity				
Share capital	16	**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		**12,551,651**	1,458,599	590,789
Non-current liabilities				
Borrowings	17	**–**	5,771,427	6,971,427
Deferred tax liabilities		**477,355**	547,533	615,737
		477,355	6,318,960	7,587,164
Current liabilities				
Trade and other payables	22	**9,646,204**	8,338,738	5,492,290
Borrowings	17	**–**	1,200,000	886,997
Corporation tax liability		**59,750**	183,100	408,267
Provisions	21	**75,000**	75,000	–
		9,780,954	9,796,838	6,787,554
Total liabilities		**10,258,309**	16,115,798	14,374,718
Total equity and liabilities		**22,809,960**	17,574,397	14,965,507

The financial statements on pages 22 to 52 were approved and authorised for issue by the Board of Directors on 24th April 2018 and were signed on its behalf by:

A Miller
Director
24th April 2018

Keystone Law Group Plc
Registered No: 09038082

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY 2018

	Note	2018 £	Restated 2017 £	Restated 2016 £
Assets				
Non-current assets				
Investment in Subsidiary	13	**9,000,000**	9,000,000	9,000,000
		9,000,000	9,000,000	9,000,000
Current assets				
Trade and other receivables	15	**1,853,694**	12,500	8,333
		1,853,694	12,500	8,333
Total assets		**10,853,694**	9,012,500	9,008,333
Equity and liabilities				
Equity				
Share capital	16	**62,548**	471	471
Share premium		**9,920,760**	428,123	428,123
Retained earnings		**658,886**	326,868	(845,160)
Equity attributable to equity holders of the Company		**10,642,194**	755,462	(416,566)
Non-current liabilities				
Borrowings	17	**–**	5,771,427	6,971,427
		–	5,771,427	6,971,427
Current liabilities				
Trade and other payables	22	**211,500**	1,285,611	1,653,472
Borrowings	17	**–**	1,200,000	800,000
		211,500	2,485,611	2,453,472
Total liabilities		**211,500**	8,257,038	9,424,899
Total equity and liabilities		**10,853,694**	9,012,500	9,008,333

The Company's profit for the financial year was £381,593 (2017: £1,172,928)

The financial statements on pages 22 to 52 were approved and authorised for issue by the Board of Directors on 24th April 2018 and were signed on its behalf by:

A Miller
Director
24th April 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JANUARY 2018

		Attributable to equity holders of the Parent			
	Note	Share capital £	Share premium £	Retained earnings £	Total £
At 1 February 2016 (restated)		471	428,123	162,195	590,789
Profit for the year and total comprehensive income		–	–	867,810	867,810
At 31 January 2017 (restated)	16	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	16	49,575	–	(49,575)	–
New share capital subscribed	16	12,502	9,492,637	–	9,505,139
At 31 January 2018	16	62,548	9,920,760	2,568,343	12,551,651

COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JANUARY 2018

		Attributable to equity holders of the Company			
	Note	Share capital £	Share premium £	Retained earnings £	Total £
At 1 February 2016 (restated)		471	428,123	(845,160)	(416,566)
Profit for the year and total comprehensive income		–	–	(327,972)	(327,972)
Dividend received from subsidiaries		–	–	1,500,000	1,500,000
At 31 January 2017 (restated)		471	428,123	326,868	755,462
Profit for the year and total comprehensive income		–	–	(1,118,407)	(1,118,407)
Dividend received from subsidiaries		–	–	1,500,000	1,500,000
Bonus Share Issue	16	49,575	–	(49,575)	–
New share capital subscribed	16	12,502	9,492,637	–	9,505,139
At 31 January 2018		62,548	9,920,760	658,846	10,642,194

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 JANUARY 2018

	Note	2018 £	Restated 2017 £
Cash flows from operating activities			
Profit before tax		**1,932,433**	1,200,652
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	**382,266**	386,086
Loss on disposal of property plant and equipment		**–**	33,619
Finance income	7	**(41,368)**	(29,786)
Finance costs	7	**392,462**	512,649
		2,665,793	2,103,220
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
Cash generated from operations		**2,438,769**	1,828,788
Interest Paid		**(2,870)**	(7,126)
Corporation taxes paid		**(538,049)**	(626,212)
Cash generated from operating activities		**1,897,850**	1,195,410
Cash flows from investing/(used in) activities			
Interest received		**41,368**	29,786
Purchases of property plant and equipment		**(31,039)**	(70,325)
Net cash generated from investing activities		**10,329**	(40,539)
Cash flows from financing activities			
Proceeds from issue of ordinary shares, net of issue costs		**9,505,142**	–
Repayment of other borrowings		**(8,537,617)**	(886,998)
Net cash generated from/(used in) financing activities		**967,525**	(886,998)
Net increase in cash and cash equivalents		**2,875,704**	267,913
Cash at 1 February		**714,266**	446,353
Cash at 31 January		**3,589,970**	714,266

COMPANY STATEMENT OF CASH FLOWS

YEAR ENDED 31 JANUARY 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Loss before tax		(1,118,407)	(327,972)
Adjustments to cash flows from non-cash items			
Finance costs	7	389,593	505,523
		(728,814)	177,551
Working capital adjustments			
Increase in trade and other receivables		(1,841,194)	(4,167)
Increase in trade and other payables		102,483	(873,384)
Cash used in operations		(2,467,525))	(700,000)
Corporation taxes paid		–	–
Cash generated from operating activities		(2,467,525)	(700,000)
Cash flows from investing activities			
Interest received		–	–
Purchases of property plant and equipment		–	–
Net cash generated from investing activities		–	–
Cash flows from financing activities			
Dividend received from subsidiaries		1,500,000	1,500,000
Proceeds from issue of ordinary shares, net of issue costs		9,505,142	–
Repayment of other borrowings		(8,537,617)	(800,000)
Net cash generated from financing activities		2,467,525	700,000
Net increase in cash and cash equivalents		–	–
Cash at 1 February		–	–
Cash at 31 January		–	–

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

BASIS OF CONSOLIDATION

The Group Financial Statements consolidates the financial statements of the Company and its subsidiary undertakings drawn up to 31 January 2017 and 2018.

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES CONTINUED

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

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

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

GOING CONCERN

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.

ACCOUNTING DEVELOPMENTS

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

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

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018)

Under IFRS 9 the classification of financial assets is based on whether the contractual cash flows of the instrument are solely payments of principal and interest, and whether the business model is to collect those contractual cash flows and/or sell the financial assets.

Available-for-sale investments which are measured at fair value through other comprehensive income under IAS 39 are either designed at fair value through other comprehensive income under IFRS 9 or if not so designated, continue to be measured at fair value through other comprehensive income.

IFRS 15 ‘Revenue from contracts with customers’ (effective for annual periods beginning on or after 1 January 2018)

IFRS 15 introduces a revenue model in which the core principle is that an entity should recognise revenue in line with the transfer of services to the customer in an amount that reflects the consideration to which the entity expects to be entitled for those services provided.

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 Board does not anticipate that the implementation of these statements will have a material impact to the financial statements of the Group.

SEGMENT REPORTING

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

REVENUE

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

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

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

OPERATING PROFIT

Operating profit is stated after all expenses, including those considered to be exceptions but before finance income or expenses.

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES CONTINUED

EBITDA

EBITDA is utilised as a key performance indication for the Group and is calculated utilising profit before tax, adjusted for finance income and costs, amortisation and depreciation.

Underlying EBITDA is further adjusted to remove the financial impact of the flotation in the current year and the one off costs arising in the previous year as a result of the office relocation which resulted in having to run two properties for a number of months as well as the recognition of a dilapidations provision.

	2018 £'000	2017 £'000
EBITDA	2,666	2,069
Flotation cost	604	–
Double run of property	–	147
Dilapidations provision	–	75
Underlying EBITDA	3,270	2,291

DISBURSEMENTS

Disbursements are not included in income or expenses.

TAXATION

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

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

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

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

TANGIBLE ASSETS

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

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

DEPRECIATION

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

Asset class	Depreciation method and rate
Fixtures, fittings and equipment	25% – 33% straight line

GOODWILL

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity, recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses.

IMPAIRMENT OF INTANGIBLES

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

OTHER INTANGIBLE ASSETS

Lawyer relationships have been separately identified on acquisition and were recognised at fair value at the acquisition date. The fair value of the asset was calculated by reference to the net present value of the future benefits accruing to the Group from the utilisation of the asset discounted at an appropriate discount rate. These lawyer relationships are subsequently held at cost less accumulated amortisation. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the asset, which, in the case of lawyer relationships is estimated to be 10 years.

INVESTMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES CONTINUED

FINANCIAL INSTRUMENTS

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

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

a. Trade & other receivables

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

b. Available-for-sale financial assets

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

c. Trade and other payables

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

CASH AND CASH EQUIVALENTS

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

TRADE RECEIVABLES

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

TRADE PAYABLES

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

BORROWINGS

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

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

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

PROVISIONS

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

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

LEASES

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

SHARE CAPITAL

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

DEFINED CONTRIBUTION PENSION OBLIGATION

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

NOTES TO THE FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

ACQUISITION ACCOUNTING

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

RECOGNITION OF LAWYER RELATIONSHIPS

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

RECOVERABILITY OF TRADE RECEIVABLES

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

AMOUNTS RECOVERABLE ON CONTRACTS (WORK IN PROGRESS "WIP")

The business has carried out a review of prior years' billing activity in order to identify what share of post year end billing relates to the previous financial year. This profile is then applied to the current year's budgeted billing in order to calculate the value of WIP valuation at the year end. The WIP valuation is then validated by reviewing the actual billing between the year end and the time the accounts are prepared to ensure that actual performance is in line with the expected profile. Were the actual billing to differ to the budget but all other things remained equal, then a 1% variance in billing would equate to a movement in revenue of £44,614. This in turn would result in a change in the associated cost of sale of £33,461 and an impact to profit of £11,153.

DILAPIDATIONS PROVISION

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

4. REVENUE

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

	2018 £	2017 £
Rendering of services	**31,473,380**	25,341,609
Other revenue	**127,110**	217,366
	31,600,490	25,558,975

All revenue is derived from a single segment.

In accordance with IFRS 8, no single customer represented more than 10 per cent of revenue for any of the years ended 31 January 2017 or 2018.

5. EXPENSES BY NATURE

Expenses are comprised of:

	2018 £	2017 £
Depreciation	**31,382**	35,202
Amortisation	**350,884**	350,884
Flotation costs	**603,581**	–
Staff costs	**2,326,259**	1,972,404
Operating lease expense – property	**238,427**	246,671
Other administrative expenses	**3,104,256**	2,468,469
	6,654,789	5,073,630

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).

NOTES TO THE FINANCIAL STATEMENTS

6. OPERATING PROFIT

Operating profit is arrived at after charging:

	2018 £	2017 £
Depreciation expense	**31,382**	35,202
Operating lease expense – property	**238,427**	246,671
Loss on disposal of property, plant and equipment	**–**	33,619
Fees to auditors : audit fee	**47,500**	–
Fees to auditors : non audit fees	**121,000**	–

7. FINANCE INCOME AND COSTS

	2018 £	2017 £
Finance income		
Interest income on bank deposits	**41,368**	29,786
Finance costs		
Interest on bank overdrafts and borrowings	**(2,870)**	(1,267)
Interest expense on other financing liabilities	**(389,592)**	(511,382)
Total finance costs	**(392,462)**	(512,649)
Net finance costs	**(351,094)**	(482,863)

8. STAFF COSTS

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

	2018 £	2017 £
Wages and salaries	**2,026,290**	1,738,263
Social security costs	**225,959**	182,047
Pension costs, defined contribution scheme	**74,010**	52,094
	2,326,259	1,972,404

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

	2018 £	2017 £
Fee Earners	**6**	3
Administration and support	**34**	32
Total	**39**	35

The Company does not employ any employees and as such has no staff costs.

9. DIRECTORS' AND KEY MANAGEMENT PERSONNEL REMUNERATION

The directors' remuneration is disclosed within the Directors Report. The directors are considered key management personnel. Employers NIC paid on directors remuneration in the year was £54,148 (2017: £46,856)

NOTES TO THE FINANCIAL STATEMENTS

10. CORPORATION TAX

TAX CHARGED/(CREDITED) IN THE INCOME STATEMENT

	2018 £	Restated 2017 £
Current taxation		
UK corporation tax	**417,119**	388,666
UK corporation tax adjustment to prior periods	**(2,422)**	12,379
	414,697	401,045
Deferred taxation		
Arising from origination and reversal of temporary differences	–	1,974
Unwinding of deferred tax liability	**(70,177)**	(70,177)
Tax expense in the income statement	**344,520**	332,842

The actual tax charge is lower than the standard rate of corporation tax in the UK applied to the profit before tax 2018 – 17.8%, (2017 – 27.8%).

The differences are reconciled below:

	2018 £	Restated 2017 £
Profit before tax	**1,932,433**	1,200,652
Corporation tax at standard rate 19%, (2017: 20%)	**367,162**	240,130
(Decrease) / Increase in current tax from adjustment to prior periods	**(2,422)**	12,379
Decrease from effect of capital allowances depreciation	–	(965)
(Decrease) / Increase from effect of expenses not deductible in determining taxable profit	**7,070**	105,832
Decrease from effect of adjustment in research and development tax credit	**(27,290)**	(24,534)
Total tax charge	**344,520**	332,842

11. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fittings and equipment £
Cost or valuation	
At 31 January 2016	164,769
Additions	70,325
Disposals	(57,785)
At 31 January 2017	177,309
Additions	31,039
At 31 January 2018	208,348
Depreciation	
At 31 January 2016	115,538
Charge for year	35,202
Eliminated on disposal	(24,166)
At 31 January 2017	126,574
Charge for the year	31,382
At 31 January 2018	157,956
Carrying amount	
At 31 January 2018	50,392
At 31 January 2017	50,735
At 1 February 2016	49,231

The Company had no property, plant and equipment in either 2018 or 2017.

NOTES TO THE FINANCIAL STATEMENTS

12. INTANGIBLE ASSETS

	Lawyer relationships £	Goodwill £	Total intangibles £
Cost or valuation			
At 31 January 2017 and 2018	3,508,840	4,807,411	8,316,251
Amortisation			
At 31 January 2016	453,225	–	453,225
Charge for year	350,884	–	350,884
At 31 January 2017	804,109	–	804,109
Charge for the year	350,884	–	350,884
At 31 January 2019	1,154,993	–	1,154,993
Carrying amount			
At 31 January 2018	2,353,847	4,807,411	7,161,258
At 31 January 2017	2,704,731	4,807,411	7,512,142
At 1 February 2016	3,055,615	4,807,411	7,863,026

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

An impairment review has been performed for the year ended 31 January 2018 and recoverable amounts have been determined based on value-in-use calculations. These calculations have assessed the projected future cash flows over the next five years based on financial budgets approved by management for the year ended 31 January 2019 and then projected for a further 4 years. A discounted cash flow model was prepared taking into account management's assumptions for growth in EBITDA and the historical growth rates experienced by the Group, using a discount rate of 11 per cent post tax.

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

13. INVESTMENTS

COMPANY SUBSIDIARIES

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

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Group 2018	2017
Keystone Law Limited*	Provision of legal services	England and Wales	**100%**	100%
Keystone Law (Guernsey) Limited	Dormant	England and Wales	**100%**	100%

Keystone Law Limited is owned by the Company whilst Keystone Law (Guernsey) Limited is owned by Keystone Law Limited. The registered office of all subsidiaries above is 48 Chancery Lane, London, WC2A 1JF.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 £	2017 £
Non-current financial assets		
Available-for-sale financial assets	**13,628**	13,628

Assets held for sale represent the value of the Group's investment in Keypoint Law Limited Pty, an Australian law firm. These assets are valued at cost.

NOTES TO THE FINANCIAL STATEMENTS

15. TRADE AND OTHER RECEIVABLES

	Company		Group	
	2018 £	2017 £	2018 £	Restated 2017 £
Trade receivables	–	–	6,632,062	4,870,156
Provision for impairment of trade receivables	–	–	(1,208,843)	(697,843)
Net trade receivables	–	–	5,423,219	4,172,313
Receivables from related parties	1,846,153	–	15,806	29,307
Accrued income	–	–	4,461,398	3,888,999
Prepayments	–	12,500	895,833	465,850
Other receivables	7,541	–	1,198,456	727,157
Total current trade and other receivables	1,853,694	12,500	11,994,713	9,283,626

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

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

Included within other receivables are unbilled disbursements of £990,058 at 31 January 2018 (31 January 2017 - £604,326).

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

AGE OF TRADE RECEIVABLES THAT ARE NOT IMPAIRED

	2018 £	2017 £
0 to 30 days	**2,740,155**	2,172,482
31 to 60 days	**1,122,030**	921,923
61 to 90 days	**440,385**	426,542
91 to 120 days	**258,080**	232,761
3 to 6 months	**235,006**	151,100
6 months to 1 year	**625,563**	230,196
Over 1 year	**–**	37,309
	5,423,219	4,172,313
Average age (days)	**42**	41

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

AGE OF IMPAIRED TRADE RECEIVABLES

	2018 £	2017 £
31 to 60 days	**–**	–
61 to 90 days	**19,306**	4,200
91 to 120 days	**21,227**	2,280
3 to 6 months	**41,874**	16,660
6 months to 1 year	**532,067**	265,607
Over 1 year	**594,369**	409,096
	1,208,843	697,843

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

NOTES TO THE FINANCIAL STATEMENTS

16. 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 £0.002 (2017: £0.0001 each)	**31,273,941**	**62,548**	428,573	429
Incentive Ordinary shares of £0.0001 each	–	–	22,552	22
	31,273,941	**62,548**	451,127	471

	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	6,250,000	–	–
As at 31 January 2018	31,273,941	–	–

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 did not carry any right to vote except if any holder of those shares was 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 was increased by such a number as entitled 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.

17. BORROWINGS – GROUP AND COMPANY

	2018 £	2017 £
Non-current loans and borrowings		
Other borrowings	–	5,771,427

	2018 £	2017 £
Current loans and borrowings		
Other borrowings	–	1,200,000

The loans were unsecured loan notes held by the Company which attracted an interest rate of 6% per annum. These were fully paid down during the year using the funds raised from the float. The loans and borrowings classified as financial instruments are disclosed in the financial instruments note.

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

18. DEFERRED TAX

	Company		Group	
	2018 £	2017 £	2018 £	2017 £
Accelerated capital allowances	–	–	6,588	6,588
Timing differences on intangibles	–	–	470,767	540,945
Deferred tax	–	–	477,355	547,533

NOTES TO THE FINANCIAL STATEMENTS

19. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

OPERATING LEASES

The Group leases two offices under non-cancellable operating lease agreements.

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

	2018 £	2017 £
Within one year	**320,063**	200,683
In two to five years	**836,680**	745,668
In over five years	**–**	8,172
	1,156,743	954,523

The amount of non-cancellable operating lease payments recognised as an expense during the year was £238,427 (2017 - £246,671). The Company has no operating leases.

20. PENSION AND OTHER SCHEMES

DEFINED CONTRIBUTION PENSION SCHEME

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £74,010 (2017 - £52,094).

21. PROVISIONS

	Dilapidations provision £	Total £
At 31 January 2017 and 2018	75,000	75,000

22. TRADE AND OTHER PAYABLES

	Company		Group	
	2018 £	2017 £	2018 £	2017 £
Trade payables	**–**	–	**5,358,137**	3,811,518
Accrued expenses	**211,500**	1,178,098	**4,240,491**	4,401,957
Amounts owed to group undertakings	**–**	107,513	**–**	–
Social security and other taxes	**–**	–	**47,576**	121,206
Other payables	**–**	–	**–**	4,057
Total trade and other payables	**211,500**	1,285,611	**9,646,204**	8,338,738

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

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

23. RELATED PARTY DISCLOSURES

On 17 October 2014, the Company acquired 100% of the share capital of Keystone Law Limited for a total consideration of £9,000,000 this was satisfied by the payment of £3,150,000 cash, shares in the Company with a value of £278,573 and 6% loan notes as follows: J Knight £4,714,285, C Stringer £428,571, W Robins £428,571. The cash for the acquisition was funded by means of an equity subscription by Root Capital Fund II and £3,000,000 of debt. In exchange for the latter, the Company issued 6% loan notes to Root Capital Fund II. Interest on the loan notes has accrued from the date of grant until this year without being paid out. During the period, all loans, included accrued interest were paid in full. The balance owed at 31 January 2017 as well as the balance paid during the year is shown in the table below:

	Paid 2017 £	Balance 2017 £
J Knight	4,695,689	4,501,935
C Stringer	426,880	407,401
W Robins	426,880	407,401
Root Capital Fund II	2,988,166	2,851,809

Interest charged on these loans was £369,070 in the year ended 31 January 2018 and £505,523 in the year ended 31 January 2017.

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

The value of transactions with Root Capital LLP and companies within the Root Capital Fund II portfolio was £64,130 in the year ended 31 January 2018, and £138,084 in the year ended 31 January 2017. No balances were outstanding at any of the years ended 31 January 2017 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS

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

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

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

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

FINANCIAL ASSETS

AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Company		Group	
	2018 £	2017 £	**2018 £**	2017 £
Available-for-sale financial assets	**–**	–	**13,628**	13,628
	–	–	**13,628**	13,628

Assets held for sale are held at cost

LOANS AND RECEIVABLES

	Company		Group	
	2018 £	2017 £	**2018 £**	2017 £
Cash and cash equivalents	**–**	–	**3,589,969**	714,266
Trade and other receivables	**1,853,694**	12,500	**11,994,713**	9,283,626
	1,853,694	12,500	**15,584,682**	9,997,892

Loans and receivables are held at amortised cost.

FINANCIAL LIABILITIES

	Company		Group	
	2018 £	2017 £	**2018 £**	2017 £
Trade and other payables	**211,500**	1,285,611	**9,721,204**	8,413738
Borrowings	**–**	–	**–**	6,971,427
	211,500	1,285,611	**9,721,204**	15,385,165

Financial liabilities are held at amortised cost. There is no significant difference between the fair value and carrying value of financial instruments.

25. FINANCIAL RISK MANAGEMENT AND IMPAIRMENT OF FINANCIAL ASSETS

GENERAL OBJECTIVES, POLICIES AND PROCESSES

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

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

CREDIT RISK AND IMPAIRMENT

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

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

LIQUIDITY RISK

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

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

INTEREST RATE RISK AND FAIR VALUE RISK

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

CAPITAL RISK MANAGEMENT

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

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

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

CURRENCY RISK

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

NOTES TO THE FINANCIAL STATEMENTS

26. PRIOR YEAR ADJUSTMENTS

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

	Originally Stated £	Change £	Restated £
Income Statement			
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
Consolidated Statement of Financial Position			
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
Company Statement of Financial Position			
Investment in Subsidiary	9,069,922	(69,922)	9,000,000
Retained Earnings	396,789	(69,921)	326,868

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 a 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.

In the company statement of financial position, investments in subsidiary undertakings and retained earnings have been adjusted to remove previously capitalised professional fees.

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