28 April 2022

Full year results for the period ending 31 January 2022

Elevated financial performance driven by strong client demand; special dividend declared

Keystone Law Group plc (AIM: KEYS), the fast growing, UK Top 100, challenger law firm, today announces its full year results for the year ended 31 January 2022 ('2022').

Financial Highlights:

- Revenue growth of 26.5% to £69.6 million (2021: £55.0 million)
- PBT of £8.4 million (2021: £5.4 million)
- Adjusted PBT of £9.1 million, representing growth of 52.3% (2021: £6 million)
- Basic EPS of 21.3 pence, up 42.7% (2021: 13.8 pence)
- Adjusted basic EPS of 23.6 pence, up 51.3% from 15.6 pence
- Strong operating cash conversion at 102.7% with cash generated from operations of £10.0 million (2021: £6.6 million); remain debt free
- Proposed final ordinary dividend of 11.2p (2021: 7.1p(1)), plus a special dividend of 10p per share

(1) 2021 dividend excludes 3.5p paid as catch up for non-payment of a final dividend for the year ended 31 January 2020

Strategic Highlights:

- In a challenging recruitment market we have increased the number of Principals to 394 (2021: 369), and lawyers continued to grow their practices with Pod members increasing from 74 to 80.
- Our Central Office team will continue to work remotely, having demonstrated outstanding levels of support to lawyers and clients by this means throughout the pandemic.
- We have continued to run regular social and networking events for lawyers to foster a supportive and collegiate culture, mostly taking the form of online events this year, but also face to face events when restrictions allowed.
- We continue to invest into our IT systems, to ensure "best in class" core systems and drive ever greater operational efficiencies for lawyers.

Current trading and outlook:

- The current financial year has started well with lawyers remaining busy.
- We have made a fair start on recruitment, continuing to attract high quality candidates.
- Well placed to deliver another strong performance.

James Knight, Chief Executive Officer of Keystone Law, commented:

"Keystone has had another very successful year. Our unique business model, with technology enabled remote working and flexibility at its core, has ensured that our lawyers have been perfectly placed to capitalise on the high levels of client demand throughout the period.

As a result of the experience of the last two year, remote working within the legal profession has now been accepted by the mainstream and I believe it will remain a preference for many. Keystone offers so much more than just remote working. It gives genuine flexibility, providing the platform for our lawyers to take control of the manner in which they build their practices, often to earn more money, whilst being supported by a central office team of the highest calibre.

Being highly cash generative and capital light has meant that we have built a strong cash position and we are extremely pleased to be able to propose both a final ordinary dividend of 11.2p and a special dividend of 10p per share."

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The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR").

Analyst Briefing

A meeting for analysts will be held virtually at 9.30am today, 28 April 2022. Analysts wishing to attend this event can register via email at keystonelaw@fticonsulting.com. Keystone's Full Year 2022 results announcement will also be available today on the Group's website at www.keystonelaw.com.

Notes to editors

Keystone is an award-winning law firm, providing conventional legal services to SMEs and high net worth individuals in a £9bn addressable market.

Keystone has a scalable and unique model, with three defining characteristics:

- Our lawyers have freedom, flexibility and autonomy, and are paid up to 75% of what they bill.
- Our lawyers determine how, when and where they work, in contrast to the conventional law firm model.
- We offer lawyers full infrastructure and support via its central office team, bespoke user-friendly IT platform, and network of colleagues and events.

Keystone is a full-service law firm, with 20 service areas and more than 50 industry sectors delivered by nearly 400 high calibre self-employed Principal lawyers who work from their own offices.

In November 2020, Keystone was named Law Firm of the Year by The Lawyer, the first time a 'new' law firm has won the award.

More information about Keystone can be found at www.keystonelaw.co.uk.

CHAIRMAN'S REVIEW

I am pleased to introduce Keystone Law's results for the year ended 31 January 2022.

It has been another good year for Keystone and we are delighted to be reporting very strong financial results. Our model has continued to demonstrate its value, placing our lawyers in prime position to take advantage of the strong demand across the legal industry in spite of the Covid-19 restrictions which have ebbed and flowed throughout the period. Accordingly, revenue has increased by 26.5% to £69.6m (2021: £55.0m), and adjusted PBT(1) has increased by 52.3% to £9.1m representing an adjusted PBT margin of 13.0% (2021: £6.0m, 10.8%). Cash generation has remained strong, with cash generated from operations of £10.0m (2021: £6.6m) representing an operating cash conversion of 102.7% (2021: 100%).

(1)Adjusted PBT is calculated by adding share based payment costs and amortisation to PBT. Details of these calculations are shown in the Financial Review.

DIVIDEND

In accordance with the Group's stated dividend policy, the Board is proposing to pay a final ordinary dividend for the year ended 31 January 2022 of 11.2p per share (2021: 7.1p(2)) bringing the total ordinary dividend for the year to 15.7p (2021:10.4p(1)).

Furthermore, recognising the strength of the balance sheet and considering the cash requirements of the Group as well as the cash generative nature of our model, the Board is also proposing to pay a special dividend of 10p per share. If approved at our AGM, this will be the second special dividend that we have paid since we joined the AIM market. This has been made possible by the strong cash generation and capital light nature of our business model together with our organic growth strategy.

(2) 2021 dividend excludes amounts (3.3p interim and 3.5p final) paid as catch up for non-payment of a final dividend for year ended 31 January 2020

OUR PEOPLE

As the CEO remarks, our central office team has provided excellent support to our lawyers and clients throughout the year and I would like to thank them on behalf of the Board.

BOARD AND GOVERNANCE

I am happy to report that the Board has continued to operate within the structures and governance requirements of the Quoted Companies Alliance ("QCA") Code as set out in the corporate governance section of the Annual Report and Accounts.

In response to the evolution of ESG (Environmental, social and governance) within the governance framework, we have extended our reporting this year to incorporate those areas of our ESG strategy which had not previously been communicated beyond the Boardroom. We are proud that our model has a low carbon density and are committed to strive to reduce the already small footprint further where possible.

During the year, we made changes to the Chairing of Board Committees and I would like to thank both Simon Philips and Isabel Napper for their commitment to their new roles.

OUTLOOK

I am pleased to say that the current year has started well. Whilst the UK economy is starting to be affected by certain headwinds, we are confident that Keystone is well placed to continue yielding the benefit of its organic growth strategy and delivering ongoing strong results.

Robin Williams
Non-executive Chairman
27April 2022

CHIEF EXECUTIVE'S REVIEW

Operational Review

INTRODUCTION AND HIGHLIGHTS

I am very pleased to be able to report that Keystone has had another successful year.

In what has been a unique period of trading conditions, the business has continued to grow, with revenue up 26.5% to £69.6m (2021: £55m) and adjusted PBT increasing by 52.3% to £9.1m (2021: £6.0m) (PBT increase of 54.7% to £8.4m). The cash generative nature of the model and its resilience have continued to be strongly demonstrated this year, with cash generated from operations of £10.0m. This cash position, together with our confidence in the ongoing strength of performance, has given us the confidence not only to propose a final ordinary dividend in line with our stated policy of 11.2p but also to propose a special dividend of 10p.

Client demand across the industry has been high and our model has ensured that our lawyers have been able to take advantage of this to drive enhanced revenue during the period. Equally, for much of the year, Covid-19 restrictions have prevented us from delivering many of the face-to-face networking and marketing events in which we normally invest. The confluence of these two factors has resulted in the Group enjoying heightened profits this year.

The same factors which have contributed to the strong financial performance have also affected the conditions within the recruitment market and, in light of these, I am satisfied that the number of Principals* has increased from 369 to 394 and we saw the number of Pod members increase from 74 to 80.

*Principal lawyers are the senior lawyers who own the service company ("Pod") which contracts with Keystone. The relationship between Keystone and its lawyers is governed by two agreements: a service agreement (which governs the commercial terms and is between the Pod and Keystone) and a compliance agreement (which governs the behaviour of lawyers and is between each lawyer and Keystone). Pods can employ more than one fee earner. A junior lawyer who is employed by a Pod is, to all intents and purposes, a Keystone lawyer and presented to the outside world in much the same way as a conventional law firm would present a conventionally employed junior lawyer. Junior lawyers are properly interviewed and vetted by the recruitment team in central office to ensure that they are of the requisite quality and calibre. As is the case for the Principal lawyers, these juniors sign a compliance agreement with Keystone and are required to comply with all rules and regulations governing the professional conduct of Keystone's lawyers.

THE ONGOING RESPONSE TO COVID-19

Throughout the pandemic, we have focused on ensuring that our people are both safe and fully productive. Both the culture and technology on which Keystone is built have proven their worth in these challenging times.

Ordinarily, we invest substantial time, effort and resources in regularly bringing our lawyers together, face to face, to facilitate networking and build relationships which engender a real sense of belonging and collegiality across the business. This made the transition to online events, necessitated by the pandemic, a great success and our people have continued to come together at regular events, face to face when restrictions allowed but equally adapting formats to continue to maintain and enhance the cohesion which is ever present within Keystone.

Prior to the pandemic, it was our lawyers who benefitted from the flexibility of remote working facilitated by our technology but since moving offsite during the first lockdown, our Central Office team has demonstrated that this method of working is equally applicable to them. Throughout the last two years, they have delivered support services of the highest calibre to both our clients and our lawyers and, as such, we have decided to continue with this model when the pandemic ends.

DRIVING ORGANIC GROWTH TO A SCALABLE MODEL

We have continued to drive forwards in the delivery of our clear and simple strategy; organic growth through the recruitment of high calibre lawyers from within the mid-market segment of the UK legal services industry.

We actively encourage and support our Principals to grow their practices in the manner best suited to them. During the recruitment and onboarding process, and throughout a Principal's time at Keystone, we work with them to understand the nature of their practice and to help them develop relationships with the colleagues they will need to meet the needs of their clients and grow their practice. Where appropriate, we encourage and assist them in the growth of their Pods, which they can do by recruiting their own juniors, providing the means to build larger practices, further enhancing the value of their client relationships and increasing their income earning potential. For those who either do not need or wish to have a dedicated junior resource, we employ a number of junior lawyers within the central office team whose role it is to provide the necessary ad hoc support to the whole lawyer base.

Our model is an appealing proposition for many lawyers across the industry who find themselves constrained or dissatisfied by the conventional model. We encourage our lawyers to stand out from the crowd, developing their practices on their own terms, offering genuine flexibility, concentrating exclusively on client development and the delivery of high calibre legal work. The regular social and networking events provide the opportunities for our lawyers to really get to know each other and it is by forming these genuine relationships that our lawyers are able to deliver an enhanced service to their clients when delivering multi-disciplinary and multi-lawyer assignments.

All of this is made possible by the technology which sits at the heart of what we do, developed to meet the needs of our people and supported by our central office team which provides best in class support across all areas needed by our lawyers.

UNIQUE MARKET CONDITIONS

The recruitment market has had unique challenges this year. The high level of demand across the industry has seen many lawyers simply too busy to consider moving roles, whilst the timing of changes in government restrictions in response to the evolution of the pandemic has also played its part in influencing candidates' behaviour. As reported in our Interim Statement, conditions during the first half of this year were very similar to those experienced during the second half of the last financial year. Potential candidates were very busy dealing with client work and although restrictions were slowly relaxing, there remained much uncertainty. The second half of the year saw greater disruption. The relaxation of most restrictions in late July, coupled with the anticipation of the return to office life in early autumn, led to a prolonged period of slower activity as potential candidates decided to enjoy the summer and defer making decisions about the future until they had seen what the return to office life looked like in practice. During October we saw the market pick up again, but the outbreak of the Omicron variant in late November and the reimposition of restrictions caused a further hiatus in activity as people once again decided to wait and see what the New Year would bring. As such, the number of qualified new applicants this year was 228 (2021: 253), whilst we made 76 offers (2021: 81) and 56 candidates accepted offers (2021: 70).

CONTINUING INVESTMENT IN IT

In spite of the ongoing pandemic, this year has been a year of "business as usual" for the IT team. Our IT systems and infrastructure have been developed over many years to deliver results to our remote workforce and, as such, the ongoing government restrictions have not affected the focus of the team this year. The constant evolution of the risk profile across the IT landscape means that IT security is a constant and ongoing focus for the team as we continually enhance and update the tools used to provide protection across our IT estate. Likewise, our development team work constantly to deliver the upgrades and enhancements across our core systems to keep them "best in class" and drive ever greater operational efficiencies.

ONGOING INVESTMENT IN THE CENTRAL OFFICE TEAM

This year, I have been delighted with the manner in which the Central Office team has excelled following the move from office-based to remote working which was implemented at the start of the pandemic. They have continued to deliver outstanding service to our lawyers and because of this, we have decided that when the pandemic ends, we will continue to operate in this way. This will enable all our people to enjoy the benefits and flexibility afforded by remote working whilst retaining access to high quality facilities at our offices in Chancery Lane to meet the needs of our clients, our lawyers and our Central Office team.

LOOKING AHEAD

It has been a good start to the year, with our lawyers remaining busy. The sanctions imposed on Russia since the invasion of Ukraine have had only a very limited and immaterial impact on us. We have also made a fair start to recruitment, with high quality candidates continuing to be attracted to the business. As such, we are well placed to deliver another strong performance this year

James Knight
Chief Executive
27 April 2022

FINANCIAL REVIEW AND STRATEGIC REPORT

KEY PERFORMANCE INDICATORS (KPIs)

The following KPIs are used by the management to monitor the financial and operational performance of the Group:

- Revenue growth: 26.5% increase (2021: 10.9%)
- Adjusted PBT growth: 52.3% increase (2021: 3.6%)
- Adjusted PBT margin: 13.0% (2021: 10.8%)
- PBT growth: 54.7% increase (2021: 3.4%)
- PBT margin: 12.0% (2021: 9.8%)
- Adjusted basic EPS: 23.6p (2021: 15.6p)
- Operating cash conversion %: 102.7% (2021: 100%)
- Trade debtor days: 32 (2021: 38)
- Qualified New Applicants(1): 228 (2021: 253)
- Offers Made(1): 76 (2021: 81)
- Offers Accepted(1): 56 (2021: 70)

(1) Non-financial KPI's are commented on with the Chief Executive's review

The calculation of adjusted PBT is shown below.

INCOME STATEMENT

I am pleased to report revenue for the year of £69.6m, an increase of 26.5% on the prior year. Following a drop in client demand in the prior year, particularly during the first half of the year, the legal market has bounced back strongly with activity levels being very strong throughout the period. Our lawyers have taken full advantage of this demand to deliver enhanced revenue this year, whilst further growth has been delivered by the continued growth in the number of Principals, which have increased from 369 to 394 this year.

GROSS PROFIT

The gross profit margin of the business has risen this year to 26.4% (2021: 25.9%). This increase has been driven by the strong demand across the business which has meant that our centrally employed lawyers have been in high demand, with higher utilisation rates generating enhanced margins.

ADMINISTRATIVE EXPENSES

Administrative expenses have increased by 13.0% to £8.7m (2021: £7.7m). The largest single component of this is staff costs which increased by 18.3% to £3.9m (2021: £3.3m), with support staff increasing from an average of 47 in 2021 to 53 in 2022. Other administrative costs increased by 10.3% to £4.8m (2021: £4.4m). The Covid-19 related government restrictions, which were in place for much of this year, continued to depress the level of administrative expenses, primarily because face-to-face social and networking events for our lawyers and clients were unable to be held for most of the year.

OTHER COSTS

Amortisation, both of right of use assets and intangible assets remained unchanged year on year with no changes to the underlying assets, whilst depreciation increased by 3%. The charge in respect of share based payments increased from £0.2m to £0.4m as a new grant was made and the cost of all historic grants continued to be charged to the income statement, whilst finance income was negligible in the year as interest rates fell close to nil.

PBT, ADJUSTED PBT AND PBT MARGINS

Adjusted PBT is calculated as follows:

	2022 **£**	2021 £
Profit before tax	**8,363,199**	5,405,135
Amortisation	**350,884**	350,884
Share based payments	**369,796**	208,671
Adjusted PBT	**9,083,879**	5,964,690
PBT Margin	**12.0%**	9.8%
Adjusted PBT Margin	**13.0%**	10.8%

Both PBT and adjusted PBT have been enriched this year, benefitting from the confluence of enhanced revenue, as our lawyers responded to the high demand for their services, and suppressed administrative costs caused by the Covid-19 related government restrictions. Had it not been for these two factors coinciding in the period, the margin would have been approximately 1% lower than reported.

TAXATION

The effective tax rate of 20.5% is higher than the standard rate and lower than that of the prior year (19.9%). Due to the nature of our business and the investment we make in providing networking opportunities in social environments for our lawyers, the tax rate of the business is always likely to be slightly higher than the standard rate as these costs are disallowable for corporation tax purposes. Compared to the previous year, the level of disallowable expenses was higher as we were able to hold a small number of events during the late summer and early autumn period, whereas during the prior year, we were unable to run any face-to-face events.

EARNINGS PER SHARE

Basic earnings per share increased from 13.8p to 21.3p, with fully diluted EPS being 21.0p (2021: 13.8p). Adjusted basic earnings per share (calculated by making the same adjustments to earnings as has been made in calculating adjusted PBT and divided by the average shares in circulation this year) increased by 51.3% to 23.6p (2021: 15.6p).

STATEMENT OF FINANCIAL POSITION
CASH

The Group's business model is strongly cash generative because its most significant cost, the fees paid to lawyers, is only paid once Keystone has been paid for the work it has delivered. Operating cash conversion has remained very strong this year at 102.7% (2021: 100%), generating cash from operations of £10.0m (2021: £6.6m). Capital expenditure was £0.04m (2021: £0.05m). Corporation tax payments were £1.5m (2021: £1.0m). Net interest received (ex the interest portion of lease payments) of £0.01m (2021: £0.02m) remains negligible as interest base rates continue to be almost nil, whilst the interest element of lease payments was £0.1m (2021: £0.1m). Lease repayments of £0.4m reflect the normal run rate of payments under our existing leases which run until April 2024 (2021: £0.4m). As such, cash generated by the business in the year, being net cash flow pre dividend payments, was £7.8m (2021: £5.0m). The Group paid dividends of £4.7m (2021: £2.1m). This left closing cash of £10.5m (2021: £7.4m) and no debt.

NET ASSETS

The net assets of the Group have increased from £16.6m to £18.9m, with retained earnings of £6.6m less the dividends of £4.7m. This leaves the business with a strong balance sheet.

SECTION 172 COMPANIES ACT STATEMENT

The statements below address the reporting requirements of the Board under Section 172 of the Companies Act and the Companies (Miscellaneous Reporting) Regulations 2018.

The Directors of the Company have a duty to promote the success of the Company. A Director of the Company must act in the way they consider, in good faith, to promote the success of the Company for the benefit of its members, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's operations on the community and the environment;
- the desirability of the Company to maintain a reputation for high standards of business conduct; and
- the need to act fairly between members and the Company.

The Directors are committed to developing and maintaining a governance framework that is appropriate to the business and supports effective decision making coupled with robust oversight of risks and internal controls.

Keystone has a clearly stated long term organic growth strategy and, as such, all significant business decisions consider both the short and long term impact in the process. The key to delivering this strategy is to continue to recruit and retain high calibre lawyers. In order to be an attractive place for high calibre lawyers to work, it is essential that Keystone maintains its reputation for delivering work to the highest professional standards. Central to the success of the business is the development and maintenance of its open, welcoming and collegiate culture and we invest significant time and resources to ensure that these facets are maintained and developed for the benefit of all those involved with the Company.

Keystone's primary asset is its people, be it the central office staff, the lawyers, the clients or third party suppliers with whom we work (such as counsel, experts and other professionals). As a business, we dedicate substantial time, effort and resources in working to develop and maintain strong relationships from which all parties benefit. As a people business, the impact of business decisions on our principal stakeholders is always central to the decision making process.

The nature of the Group's business is fundamentally low impact to the environment, we have an extremely small office footprint and the use of technology across the business further reduces the environmental impact as our lawyers have no need to commute to work.

The Directors treat all members of the Group fairly and consistently, as required by both professional standards and in compliance with various pieces of legislation. We provide information to all shareholders and other third parties on an equal basis.

DIVIDEND

The Board is proposing to pay a final ordinary dividend for the year ended 31 January 2022 of 11.2p per share (2021: 7.1p[(1)]). This brings the total ordinary dividend for the year to 15.7p per share (2021: 10.4p[(1)] per share).

In light of the strength of the balance sheet, together with the cash generative nature of the business model, the Board is also proposing a special dividend of 10.0p per share.

The large movement in the cash flows from dividends paid this year versus last year reflects the timing of payments as we caught up the value of the final dividend that would have been declared for the year ended 31 January 2020. This meant that the 3.5p per share (£1,094,588) catch-up which was paid as part of the final dividend for the year ended 31 January 2021 fell into the cashflow for this year. Accordingly, the cash value of dividends paid during the year was £4,722,364 (2021: £2,064,079).

Both the proposed Ordinary and Special dividends will be payable on 8 July 2022 to shareholders on the register at the close of business on 17 June 2022.

[(1)] 2021 dividend excludes amounts (3.3p interim and 3.5p final) paid as catch up for non-payment of a final dividend for the year ended 31 January 2020

On behalf of the Board

Ashley Miller
Finance Director
27 April 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 JANUARY 2022

	Note	**2022** £	2021 £
Revenue		**69,615,770**	55,027,227
Cost of sales		**(51,216,643)**	(40,770,513)
Gross profit		**18,399,127**	14,256,714
Depreciation and amortisation	3	**(877,991)**	(874,110)
Share based payments	3	**(369,796)**	(208,671)
Administrative expenses	3	**(8,706,591)**	(7,706,481)
Other operating income		**6,334**	11,285
Operating profit		**8,451,083**	5,478,737
Finance income	4	**7,511**	39,515
Finance costs	4	**(95,395)**	(113,117)
Profit before tax		**8,363,199**	5,405,135
Corporation tax expense		**(1,713,566)**	(1,076,094)
Profit and total comprehensive income for the year attributable to equity holders of the Parent		**6,649,633**	4,329,041
Basic EPS (p)	6	**21.3**	13.8

The above results were derived from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY 2022

	Note	**2022** £	2021 £
Assets			
Non-current assets			
Property, plant and equipment			
Owned assets		**247,551**	323,940
Right-of-use assets		**924,437**	1,335,297
Total property, plant and equipment		**1,171,988**	1,659,237
Intangible assets		**5,757,722**	6,108,606
Other assets		**13,628**	13,628
		6,943,338	7,781,471
Current assets			
Trade and other receivables	7	**19,973,814**	18,108,298
Cash and cash equivalents		**10,482,676**	7,371,300
		30,456,490	25,479,598
Total assets		**37,399,828**	33,261,069
Equity and liabilities			
Equity			
Share capital		**62,548**	62,548
Share premium		**9,920,760**	9,920,760
Share based payments reserve		749,958	380,162
Retained earnings		**8,150,365**	6,223,096
Equity attributable to equity holders of the Parent		**18,883,631**	16,586,566
Non-current liabilities			
Lease liabilities	8	**571,730**	1,015,924
Deferred tax liabilities		**202,610**	266,821
Provisions		**107,945**	101,428
		882,285	1,384,173
Current liabilities			
Trade and other payables	8	**16,143,166**	14,032,341
Lease liabilities	8	**538,544**	538,544
Corporation tax liability		**952,202**	719,445
		17,633,912	15,290,330
Total liabilities		**18,516,197**	16,674,503
Total equity and liabilities		**37,399,828**	33,261,069

The prior year comparatives have been restated to reclassify the provisions balance as non-current liabilities as the leases to which this relates do not expire within the next twelve months.

Ashley Miller
Director

27 April 2022

Keystone Law Group Plc
Registered No. 09038082

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JANUARY 2022

		Attributable to equity holders of the Parent				
	Note	**Share capital £**	**Share premium £**	**Share based payments reserve £**	**Retained earnings £**	**Total £**
At 31 January 2020	18	62,548	9,920,760	171,491	3,958,134	14,112,933
Profit for the year and total comprehensive income		–	–	–	4,329,041	4,329,041
Dividends paid in the year		–	–	–	(2,064,079)	(2,064,079)
Share based payments		–	–	208,671	–	208,671
At 31 January 2021	18	62,548	9,920,760	380,162	6,223,096	16,586,566
Profit for the year and total comprehensive income		–	–	–	6,649,633	6,649,633
Dividends paid in the year		–	–	–	(4,722,364)	(4,722,364)
Share based payments		–	–	369,796	–	369,796
At 31 January 2022	**18**	**62,548**	**9,920,760**	**749,958**	**8,150,365**	**18,883,631**

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 JANUARY 2022

	Note	**2022** **£**	2021 £
Cash flows from operating activities			
Profit before tax		**8,363,199**	5,405,135
Adjustments to cash flows			
Depreciation and amortisation	3	**877,991**	874,110
Share based payments	3	**369,796**	208,671
Finance income	4	**(7,511)**	(39,515)
Finance costs	4	**95,395**	113,117
		9,698,870	6,561,518
Working capital adjustments			
Increase in trade and other receivables		**(1,865,516)**	(1,546,859)
Increase in trade and other payables		**2,110,824**	1,532,023
Increase in provisions		**6,517**	38,962
Cash generated from operations		**9,960,695**	6,585,644
Interest paid		**(104)**	(17,826)
Interest portion of lease liability		**(95,291)**	(95,291)
Corporation taxes paid		**(1,545,956)**	(968,719)
Cash generated from operating activities		**8,309,344**	5,503,808
Cash flows from/(used in) investing activities			
Interest received		**7,511**	39,515
Purchases of property, plant and equipment		**(39,858)**	(51,306)
Net cash used in investing activities		**(32,347)**	(11,791)
Cash flows from financing activities			
Lease repayments		**(443,257)**	(443,224)
Dividends paid in year		**(4,722,364)**	(2,064,079)
Net cash (used in) financing activities		**(5,165,621)**	(2,507,303)
Net increase in cash and cash equivalents		**3,111,376**	2,984,714
Cash at 1 February		**7,371,300**	4,386,586
Cash at 31 January		**10,482,676**	7,371,300

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. 09038082) 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 limited by shares 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 preliminary announcement is presented in Pounds Sterling, being the functional currency of the companies within the Group.

2. ACCOUNTING POLICIES

BASIS OF PREPARATION

The preliminary announcement does not constitute full financial statements for the years ended 31 January 2022 or 2021.

The annual audited financial statements of the Group for the year ended 31 January 2022 have been prepared in accordance with UK adopted International Accounting Standards. This preliminary financial information has been prepared on the same basis as the accounting policies adopted in those accounts but does not include all the disclosures required in financial statements prepared in accordance with UK adopted International Accounting Standards and accordingly does not itself comply with UK adopted International Accounting Standards.

The results for the year ended 31 January 2022 included in this preliminary announcement are extracted from the audited financial statements for the year ended 31 January 2022 which were approved by the Directors on 27 April 2022. The auditor's report on those financial statements was unqualified. It did not include a statement under Section 498(2) or 498(3) of the Companies Act 2006.

The 2022 annual report will be posted to shareholders and included within the investor relations section of our website in due course and will be considered at the Annual General Meeting to be held on 5 July 2022. The financial statements for the year ended 31 January 2022 have not yet been delivered to the Registrar of Companies.

The auditor's report on the consolidated financial statements of Keystone Law Group Plc for the period ended 31 January 2021 was unqualified and did not include a statement under Section 498(2) or 498(3) of the Companies Act 2006. The financial statements for the period ended 31 January 2021 have been delivered to the Registrar of Companies

GOING CONCERN

The Group and Company financial statements have been prepared on a going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group is cash positive, has no debt, has a model which is strongly cash generative and has, to date, a strong trading performance. The Group's forecasts and projections show that the Group has sufficient resources for both current and anticipated cash requirements for a period of at least one year from the approval of these financial statements.

ADJUSTED PBT

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

	2022 **£**	2021 £
Profit before tax	**8,363,199**	5,405,135
Amortisation	**350,884**	350,884
Share based payments	**369,796**	208,671
Adjusted PBT	**9,083,879**	5,964,690

3. EXPENSES BY NATURE

Expenses are comprised of:

	2022 **£**	2021 £
Depreciation	**116,247**	112,366
Amortisation – intangible assets	**350,884**	350,884
Amortisation – right of use assets	**410,860**	410,860
Share based payments	**369,796**	208,671
Staff costs	**4,502,652**	3,790,848

Other administrative expenses	**4,814,546**	4,417,034
	10,564,985	9,290,663

Included within staff costs above are the costs of employed fee earners who are included within cost of sales (2022: £610,607; 2021: £501,401).

4. FINANCE INCOME AND COSTS

	2022 **£**	2021 £
Finance income		
Interest income on bank deposits	**7,511**	39,515
Finance costs		
Interest on client monies held	**(104)**	(17,826)
Interest on leases for own use	**(95,291)**	(95,291)
Total finance costs	**(95,395)**	(113,117)
Net finance costs	**(87,884)**	(73,602)

5. STAFF COSTS

The aggregate payroll costs (including Directors' remuneration but excluding share base payment charges) were as follows:

	2022 **£**	2021 £
Wages and salaries	**3,712,410**	3,307,043
Social security costs	**642,723**	360,521
Pension costs, defined contribution scheme	**147,520**	123,284
	4,502,652	3,790,848

Included within the social security costs above is an amount of £235,702 (2021: £Nil) in respect of employers national insurance contributions which will be payable in respect of shares granted under the Group's LTIP scheme. The first of these awards is due to vest in July 2023 and no cost had been accrued previously due to the uncertainty and lack of materiality of any such liability.

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

	2022 **£**	2021 £
Fee Earners	**10**	9
Administration and support	**53**	47
Total	**63**	56

6. EARNINGS PER SHARE

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

	2022 **£**	2021 £
Profit attributable to owners of the Parent	6,649,633	4,329,041
Amortisation	**350,844**	350,884
Share based payments	**369,796**	208,671
Adjusted earnings	**7,370,273**	4,888,596

	2022 **No of shares**	2021 No of shares
Weighted average number of shares		
For basic earnings per share	**31,273,941**	31,273,941
Dilutive effect of grants under LTIP	**367,371**	205,143
For diluted earnings per share	**31,641,312**	31,479,084
Basic earnings per share (p)	**21.3**	13.8
Diluted earnings per share (p)	**21.0**	13.8
Adjusted basic earnings per share (p)	**23.6**	15.6

Adjusted basic earnings per share is calculated by taking adjusted earnings and dividing it by undiluted average shares for the year.

7. TRADE AND OTHER RECEIVABLES

	2022	2021
	£	£
Trade receivables	**12,266,858**	10,381,433
Provision for impairment of trade receivables	**(4,082,672)**	(2,976,731)
Net trade receivables	**8,184,186**	7,404,702
Receivables from related parties		–
Accrued income	**8,680,475**	7,519,042
Prepayments	**1,823,118**	1,592,149
Unbilled disbursements	**1,109,691**	1,224,387
Other receivables	**176,344**	368,018
Total current trade and other receivables	**19,973,814**	18,108,298

The fair value of those trade and other receivables classified as financial instrument 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.

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

The provision for impairment of trade receivables (analysed below) is the difference between the carrying value and the present value of the expected proceeds. For all other categories of current receivables there is no difference between the carrying value and the expected proceeds.

	2022 Gross	**2022 Provision**	**2022 Expected Loss Rate**	2021 Gross	2021 Provision	2021 Expected Loss Rate
	£	**£**	**%**	£	£	%
0 to 30 days	**4,683,432**	**10,258**	**0.2**	3,438,200	–	0.0
31 to 60 days	**1,585,671**	**59,002**	**3.7**	1,814,914	–	0.0
61 to 90 days	**1,059,987**	**37,349**	**3.5**	875,870	–	0.0
91 to 120 days	**659,660**	**199,882**	**30.3**	599,953	–	0.0
4 to 6 months	**430,269**	**39,543**	**9.2**	344,544	–	0.0
6 months to 1 year	**1,662,321**	**1,551,121**	**93.3**	1,297,737	966,516	74.5
Over 1 year	**2,185,517**	**2,185,517**	**100.0**	2,010,215	2,010,215	100.0
	12,266,858	**4,082,672**	**33.3**	10,381,433	2,976,731	28.7

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

8. TRADE AND OTHER PAYABLES

	2022	2021
	£	£
Trade payables	**7,484,190**	6,936,732
Accrued expenses	**8,309,204**	6,945,752
Amounts owed to group undertakings	–	–
Social security and other taxes	**349,772**	149,857
Other payables	–	–
Total trade and other payables	**16,143,166**	14,032,341

Included within the above accrued expenses is the liability for lawyer fees associated with the accrued income (2022: 6,441,299, 2021: £5,585,486).

The fair value of the trade and other payables classified as financial instruments is 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.

FINANCIAL LIABILITIES

	0 to 6 months £	7 to 12 months £	1 to 5 years £	Pay when paid £	Total £
Trade payables	107,942	464,067	–	6,912,181	**7,484,190**
Accrued expenses	1,237,203	630,702	–	6,441,299	**8,309,204**
Lease liabilities	277,186	278,769	690,430	–	**1,246,385**
At 31 January 2022	**1,622,331**	**1,364,041**	**690,430**	**13,353,480**	**17,039,779**

	0 to 6 months £	7 to 12 months £	1 to 5 years £	Pay when paid £	Total £
Trade payables	328,054	433,703	–	6,174,975	**6,936,732**
Accrued expenses	795,266	565,000	–	5,585,486	**6,945,752**
Lease liabilities	269,272	269,272	1,246,385	–	**1,784,929**
At 31 January 2021	**1,392,592**	**1,267,975**	**1,246,385**	**11,760,461**	**15,667,413**

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

Amounts shown as pay when paid above principally reflect amounts payable in respect of lawyers' fees, as well as values payable to third party counsel and experts whose fees have been incurred on behalf of the Groups clients as disbursements. Lease liabilities are shown at their undiscounted value.