For immediate release **28 April 2020**

Keystone Law Group plc

('Keystone' or the 'Group' or 'Company')

Final Results

Keystone Law (AIM: KEYS), the fast growing, UK Top 100, challenger law firm, today announces its final results for the year ended 31 January 2020 ('FY2020').

Financial Highlights

- Strong Revenue increase of 16.3% to £49.6 million (FY2019: £42.7 million)
- PBT of £5.2 million (FY209: £4.7 million) representing growth of 10.1%
- Adjusted PBT[1] of £5.8 million (FY2019: £5.1 million) representing growth of 12%
- Basic EPS of 13.3 pence is up 9% from 12.2 pence
- Adjusted EPS[2] of 15.0 pence is up 11.9% from 13.4 pence
- Continued strong cash conversion of 81% (FY2019: 91%) with cash from operations of £4.9 million (FY2019: £4.9 million)
- As previously announced no final dividend proposed, meaning total ordinary dividend of 3.2 pence and special dividend of 8.0 pence paid in the year

[1] Adjusted PBT for 2020 is calculated by adding back amortisation, share based payment costs and one off costs related to the property move to PBT. For 2019 the adjustments were as for 2020 except there were no one off cost adjustments. Details of these calculations are shown in the financial review.

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

Business Highlights

- Lawyer recruitment strong with qualified new applicants Principals[3] up 4% to 239 (2019: 230)
- Principal[3] lawyer numbers rising 18.4% from 277 to 328
- Ongoing demand for junior support, both in Pods (up 21 (48%)) and through Central office
- Total fee earners have increased 22.4% from 321 to 393
- Invested in new office space to deliver more meeting rooms, hot desks and an improved lawyer centre
- Aligned existing lease with new, now holding co-terminus 5 year leases
- Ongoing investment in technology focused on enhancing security across the IT estate as well as improving lawyer experience of core systems

COVID-19 & Current Trading

- FY2021 to date billing and cash generation have remained strong and in line with expectations
- Since pandemic outbreak the Group has noticed a meaningful decline in the number of new instructions
- Keystone is in a strong position to deal with the financial and operational impacts of COVID-19 pandemic
    - Highly liquid with £4.4 million of cash at 31 January 2020 and cash generative since
    - High proportion of cost base is fully variable, notably lawyer fees (c. 75% of revenue) which are also only paid when the client pays Keystone
    - Business model designed to deliver services remotely through bespoke technology platform, so substantially unaffected by government restrictions on movement.

    - The Group is well diversified across legal services, sectors, specialisms and clients so no high dependency on any single area of economy or client
- Due to lack of clarity on how long current measures will remain in place and the economic impact of these, impact on FY2021 cannot be assessed
- Modelled a range of scenarios, some more negative than the Board currently believe the most likely outcome, all of which show Keystone being profitable and cash generative for FY2021

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

James Knight, Chief Executive Officer of Keystone Law, commented: "I was delighted that last year was another strong year for us. Throughout the year we have seen how the freedom and flexibility of the Keystone model, together with the first class support it provides, has continued to increase its appeal across the legal community. It has been a great pleasure to see such high calibre lawyers being attracted to join Keystone and drive forward our growth

"The current year had started well and we were looking forward to another strong year of growth when the COVID-19 pandemic broke in the UK. Whilst it is an extremely challenging time across the UK economy, we are in a strong position to deal with the challenges which lie ahead. Our model is designed to service our clients remotely and so it was a very small step to move our central support services onto the same footing, achieving this with no adverse effects to service delivery. Furthermore, we are in a strong financial position, both in terms of liquidity, being debt free and having over £4.4 million of cash, and in terms of the high proportion of our cost base which is fully variable and on a paid when paid basis."

- Ends -

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Notes to editors

Keystone Law is a UK Top 100, fast growing, profitable and cash generative challenger law firm. Established in 2002, Keystone is one of the first platform models disrupting the traditional law firms operating within the legal services mid-market. Keystone's model permits rapid scalability, enabling the Group to increase the number of revenue generating lawyers more quickly than the traditional model.

As a full service law firm, Keystone delivers conventional legal services across more than 20 service areas and over 50 industry sectors to a client base comprising predominantly of SMEs and private individuals. These services are delivered by over 325 experienced self-employed lawyers who work from their own offices; with no fixed remuneration their fees are calculated with direct reference to the income they generate for the Group. The lawyers are fully supported by the Group's central office team of approximately 45 employees, and are therefore able to focus entirely on business development and the delivery of legal work.

With the head office located in the heart of London's legal district on Chancery Lane, the Group uses its bespoke proprietary software platform to enable Keystone's lawyers to interact with the central office team and each other in an easy and efficient manner, whilst extensive networking and social events engender a strong sense of belonging to the Keystone family. The platform also drives interaction, co-operation and a strong corporate culture across the business.

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

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

Chairman's Statement

I am pleased to introduce Keystone Law's results for the year ended 31 January 2020.

This has been another strong year for the Group, with revenue increasing by 16.3% (23% if we adjust the prior year for the £2.2m one off impact from a large piece of litigation) to £49.6m (2019: £42.7m) and adjusted PBT* increasing by 12% to £5.8m (2019: £5.1m) (PBT increase of 10.1% to £5.2m from £4.7m), whilst adjusted PBT margin has increased from 11.0% (restated) to 11.6% (PBT margin 10.1% from 11.1%). The business has also continued to be strongly cash generative, with cash generated from operations of £4.9m (2019 (restated) £4.9m) representing an operating cash conversion of 82% (2019: 91%).

* Adjusted PBT for 2020 is calculated by adding share based payment costs, amortisation and one off costs associated with the property changes to PBT (2019: calculated by adding share based payment costs and amortisation back to PBT). Details of these calculations are shown in the Financial Review.

Dividend

As we announced on 27 March 2020, in light of the current situation, the Board believes that it would be prudent to maximise cash reserves in the business and as such it does not intend to propose a final dividend at this time (2019: total ordinary dividend 9.0p (interim 2.5p)). We will resume dividend distributions when circumstances make it appropriate to do so.

Board and Governance

I am happy to report that in our second full year as a Plc Board, we have operated within the structures and governance requirements of a quoted business. We have operated in compliance with the Quoted Companies Alliance ("QCA") code as set out in the corporate governance section of our Annual Report and our Board effectiveness review has highlighted no adverse areas but has aided in further focusing our development of the risk management of the Board for the coming year.

Our People and technology

Keystone is, first and foremost, a people business but with technology at its core. Both our people and our technology are key to ensuring that the business continues to be successful, creating and maintaining a rewarding environment in which our people can flourish and enjoy delivering legal services of the highest calibre to their clients.

As such, we invest significant time and effort in maintaining a modern, open business culture, which rewards those who adopt it. The friendly and welcoming environment at Keystone with its complete absence of office politics ensures that our people are free to concentrate on doing what it is they love; delivering high calibre legal services to their clients, and by doing so developing the potential of their practices in the manner and to the extent they seek to do so.

As a modern, agile business, we depend on our technology to facilitate the way in which our lawyers deliver their work. Because of this, we constantly invest in our technology platform to ensure that it continues to deliver the best in class service that our people want.

This year, as each year, we have continued to focus on these areas to ensure that we maintain that which has made Keystone successful to date.

Outlook

Although the COVID-19 pandemic and the resultant impact to the broader economy presents a challenge to all businesses at this time. Keystone is, both financially and operationally, in a strong position. The business is highly liquid and has no debt and a large part of the cost base is fully variable and on a "paid when paid" basis. Operationally our model is developed to operate on a disbursed basis and so the restrictions on movement imposed by the government have not adversely affected our service delivery model. The business is well diversified, delivering a full range of legal services to a large number of customers across a range of industries with no significant dependency on any one of these.

The current situation is unprecedented and the wider economic impact on our clients, together with the timing of this within our financial year and unknown duration for which it may apply, mean that the impact on the Group for the year ending 31 January 2021 cannot yet be assessed. In the month since the pandemic broke in the UK, whilst billing and cash generation have remained strong, we have seen a meaningful decline in the number of new instructions received. We have modelled a range of scenarios, including some which are more negative than what we currently consider the most likely outcome for the Group, and under all of these scenarios the business remains profitable and cash generative for this financial year. However, we will provide a further update once the full effects of the pandemic become clear.

We remain confident of the Group's ability to continue to deliver on its strategy for growth, taking advantage of the sizeable market opportunity which exists, once the current situation has passed.

Robin Williams
Non-executive Chairman
27 April 2020

Chief Executive's Review

Operational Review

Introduction and Highlights

2020 has been another exciting year for Keystone. In spite of the uncertainty in the UK economy, caused predominantly by Brexit and the General Election, we have once again achieved strong results as the business has continued to grow and deliver on our strategy.

Revenue has grown 16%, this figure being lower than the underlying growth as last year's revenue benefitted from £2.2m which was one off in nature (being a particularly substantial and unusual piece of litigation) excluding this the revenue growth would have been 23%. The strength of our balance sheet, together with our confidence in the future, were both reflected in the Board's decision to pay a special dividend in the year of 8 pence per share (£2.5m).

From an operational perspective, against a challenging background, especially in the third quarter, we have had another good year in recruitment with the number of Principals* growing from 277 to 328. Furthermore, as the Pod concept continues to demonstrate its appeal and flexibility, we have seen the number of Pod members increase from 33 to 54 and ongoing demand for junior support through our central office employed lawyers has also remained strong.

Keystone's strategy and delivery against it

Our strategy, as previously communicated, is clear and simple; organic growth through recruiting high calibre lawyers in the UK legal services market. Over the last twelve months the market landscape has remained essentially unchanged. Our market remains substantial, at over £9billion, and continues to suffer from the same structural problems which have been inherent to it for some time. As such a large number of lawyers are seeking a different way to continue to develop their practice.

Accordingly we have remained constant in our efforts to take advantage of this opportunity. Our focus has remained on driving growth through recruitment and delivering "best in class" service to our lawyers once on board, thereby enabling them fully to exploit the potential of their practices. The year started well, with first half qualified new applicant numbers being 7.5% higher than the same period of the prior year (114 v 106). However, the uncertainty in the broader UK economy triggered by concerns over Brexit and subsequently the General Election caused a temporary slow-down in the third quarter, and whilst we saw a bounce back in the final quarter, overall qualified new applicants ended the year just 4% up at 239 (2019: 230). This slow down had more of an effect in the number of accepted offers in the year, which ended the first half of the year 24% up (36 v 29) but only reached 56 for the full year (2019: 63), as the bounce back in qualified new applicants in Q4 did not have time to feed through to accepted offers by the year end and the COVID-19 pandemic has subsequently impacted on market conditions in Q1 2020.

This year, we have continued to witness how the full potential of the model has yet to be reached. In 2019 we started to see lawyers adopting the flexibility of the model to build Pods, enabling them to increase the size of the practice they were able to develop. This year we have seen the continued evolution of this theme, with 35 new Pod members being recruited by our Principals* (2019: 26). Of these, 13 were recruited by Principals who themselves joined during the year, 9 were recruited by existing Principals who have taken on their first Pod member with the rest joining an existing Pod. The establishment and proliferation of these Pods has, not only provided a means by which new and existing lawyers are able to develop larger practices, but also further enhances and extends the appeal of the Keystone model in the market place as a whole.

As we continue to attract more high calibre lawyers, so the overall strength of the Keystone brand continues to grow and our position in the market increases. This is all part of a virtuous circle as the best lawyers want to work where other good lawyers work.

* Principal lawyers are the senior lawyers who own the service company ("Pod") which contracts with Keystone. The relationship between Keystone and its lawyers is governed by two agreements; a service agreement (which governs the commercial terms and is between the Pod company and Keystone) and a compliance agreement (which governs the behaviour of lawyers and is between each lawyer and Keystone). Pods can employ more than one fee earner. Such juniors/colleagues are employed by or contract with the Principal lawyer's service company but are, to all other intents and purposes a Keystone lawyer. As such, they are fully vetted by the Central Office to ensure that the quality of the services received by the clients remains of the highest calibre. As is the case for the Principal lawyers, these juniors sign a compliance agreement with Keystone and are required to comply with all rules and regulations governing Keystone's lawyers' professional conduct. This development further demonstrates the flexible and scalable nature of our model; the Principal lawyers are able to scale their practice and benefit from the additional fees that their service companies receive, whilst Keystone benefits from the increasing size of the practices which these lawyers are able to build.

Investment in Chancery Lane Offices

Our main offices at Chancery Lane serves as both where the central office team work and, probably more importantly, the "face of the firm". This is the principal location where lawyers wishing to meet with their clients at Keystone offices do so. At the start of the 2020 financial year, we occupied the first floor in Chancery Lane for both client meeting rooms and the central office as well as a small premises near the main offices which provided hot desking facilities to our lawyers whilst they were in London as well as enabling a small number to rent space from us on a commercial basis ("the lawyer centre").

Keystone's growth in recent years had seen an increasing pressure on the availability of meeting rooms; this was further highlighted through the responses to our annual lawyer survey which identified this as an area which could be improved upon. Furthermore, the lease on the lawyer centre only ran until December 2019.

We were, therefore, very happy to be able to take advantage of the opportunity which presented itself to co-locate both our lawyer centre, client meeting rooms and central office in the one building by taking a second floor in Chancery Lane. At the same time we were also able to align the old lease with the new lease such that we now hold two conterminous five year leases. Furthermore, taking the new floor not only increased the number of meeting rooms available (more than doubling it) to our lawyers but presented the opportunity to fit out the offices to a higher spec than the existing floor, thereby realigning the "face of the firm" with the current and future positioning of Keystone in the market place.

Although we took the new leases from the end of Q1, the new floor became available for use from the start of the second half of the year and has been exceedingly well received by both lawyers and clients.

Ongoing Investment in IT

For Keystone, IT is a key enabler of the model and so we work tirelessly to deliver ongoing improvements and enhancements across the IT estate to ensure that our offering remains "best in class" and a clear differentiator. This year has been another busy year for the IT team, delivering the ongoing enhancements needed to ensure that the systems provide the best user experience, driving operational efficiency and ensuring continued compliance to the constantly developing rules and regulations under which a law firm operates.

Over and above the day to day enhancements and developments, we have also rolled out a number of projects which, this year have again focused on improving the security of our IT estate. We successfully migrated all users from Exchange on site (albeit on site at our outsourced provider Naastar) to Exchange on-line. The most significant advantage of this change is that all data is now encrypted at rest (ie: the point at which the email leaves the local machine). As part of this roll out, and to further enhance security of the local devices, we also introduced multi-factor authentication for all users' machines. Finally, in a separate project focusing on mobile devices, we rolled out a product which ensures that any device with access to Keystone emails has an up to date operating system with all the patches up to date, is password encrypted and satisfies a determined level of security criteria. The product also has the additional advantage of enabling the central office team to delete all Keystone data from the app should the mobile device be lost or stolen.

Ongoing Investment in the Central office team

Whilst the key driver of growth in the business is recruitment of lawyers and their clients, the role of the Central office team is equally key to the growth and development of the business. The work done in delivering services of the highest quality to our lawyers by all areas of the Central office team is a fundamental aspect of what makes Keystone so special. Within the business we believe that we have two groups of clients; those to whom we deliver legal services and the lawyers themselves. This customer services approach treating our lawyers as clients, is an aspect of the model which is often overlooked but which goes to the heart of the business' culture, significantly enhancing Keystone's offering. As such, the ongoing investment in and evolution of the Central office team is essential if we are to continue to meet and exceed the expectations of our lawyers and their clients. This is a continual process of improvement and something that we are mindful of with each new hire and / or promotion. I would like to take this opportunity to thank all those involved in the Central office for the excellent attitude that they have brought to their work over the course of the last year and look forward to continuing on this journey of excellence with them in the year ahead.

Looking ahead

Once again, this year, Keystone's business model has continued to flourish and evolve, extending its appeal to an ever wider audience within the legal community. It has continued to demonstrate its ability to attract and retain high quality lawyers, working with them to develop and exploit their practices to maximum effect.

The current year started well with trading for the first six weeks being strong and in line with our expectations. Whilst we, like most businesses around the world, have been impacted by the effects of the COVID-19 pandemic and the resultant impact on the broader economy, Keystone is in a strong position to deal with both the operational and financial impacts.

Keystone is highly liquid, being debt free and with a net cash position of £4.4 million as at 31 January 2020. Furthermore, the Group has been cash generative in the period since year end. The Keystone model itself is highly resilient to economic volatility due to the 'capital light' nature of the business and the high proportion of its cost base which is fully variable; most notably the lawyer fees which represent approximately 75% of revenue. These are not only fully variable but also on a paid when paid basis, thus underpinning the cash-generative nature of the Keystone model.

Operationally, Keystone's service delivery model, whereby lawyers operate on a remote basis accessing central services through its bespoke technology platform, has been substantially unaffected by the restrictions on movement implemented by the UK Government. In the interests of staff wellbeing the Board acted quickly to move all office-based support staff to remote working with effect from 13 March 2020. This change was achieved with no impact to the business and Keystone's service delivery capability is as robust as it was before the COVID-19 outbreak. We are well diversified, delivering legal services across a wide range of sectors and specialisms such that we have no dependency on any single area of the economy or client.

The current situation is unprecedented and the wider economic impact on our clients, together with the timing of this within our financial year and unknown duration for which it may apply, mean that the impact on the Group for the year ending 31 January 2021 cannot yet be assessed. In the month since the pandemic broke in the UK, whilst billing and cash generation have remained strong, we have seen a meaningful decline in the number of new instructions received. We have modelled a range of scenarios, including some which are more negative than what we currently consider the most likely outcome for the Group, and under all of these scenarios the business remains profitable and cash generative for this financial year. However, we will provide a further update once the full effects of the pandemic become clear.

As a Board we are monitoring the situation closely and will take all necessary actions to ensure the good health of the business through these challenging times. We remain confident of the Group's ability to continue to deliver on its strategy for growth, taking advantage of the sizeable market opportunity which exists, once the current situation has passed.

James Knight
Chief Executive
27 April 2020

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: 16.3% increase (2019: 35.1%)
- Adjusted PBT growth: 12.0% increase (2019: 56.8%)
- Adjusted PBT margin: 11.6% (2019 (restated for one off litigation: 11.0%)
- PBT growth: 10.1% increase (2019: 145.5%)
- PBT margin: 10.5% (2019: 11.1%)
- Operating cash conversion %:81% (2019: 92%)
- Trade debtor days: 36 (2019: 40)
- Net Assets: £14.1m (2019: £15.4m)

The calculation of adjusted PBT is shown below.

Income Statement
I am pleased to report revenue for the year of £49.6m, an increase of 16.3% on the prior year. This growth rate is somewhat downplayed by the fact that last year's revenue had benefited from £2.2m litigation revenue which was one off in nature (this case was one-off in nature predominantly due to the source of work; being a conflict case from a magic circle firm); excluding the distortion caused by this revenue growth would have been c. 23%. Revenue growth has been driven by the lawyers recruited last year contributing a full year of productivity as well as contributions from the lawyers who have been recruited during this year, with principal lawyer numbers increasing from 277 to 328.

Gross Profit
The gross profit margin of the business has fallen slightly this year to 26.7% (2019: 27.1%). The majority of this decline is again due to the impact of the one off litigation work last year which generated an enhanced gross profit margin (32.4%) due to the level of fees billed by central office employed lawyers on the case. Excluding the one off litigation case last year, the gross profit margin would have been 26.8% and gross profit year on year would have been broadly flat.

Administrative Expenses
Administrative expenses have increased by 14.3% to £7.2m (2019: £6.3m). The largest single component of this is staff costs which increased by 16.7% to £2.9m (2019: £2.5m), with support staff increasing from an average of 37 in 2019 to 44 in 2020. Other administrative costs increased by 12.9%% to £4.4m (2019: £3.9m). These increases compare to the 23% increase in underlying revenue (ie. excluding one off litigation revenue from 2019) and continue to demonstrate the operational gearing effect within the business.

Other costs

This year's application of IFRS16 has meant that the treatment of leases has changed such that the largest element of the cost is now treated as amortisation, whilst the element arising from discounting the liability is treated as interest. As such, in spite of the business not having any third party debt, we now have a reasonable charge for interest.

Amortisation costs in the business now comprise both the amortisation of the goodwill which arose from the structuring of Root Capital's investment in the business in October 2014, together with the amortisation of the discounted cost associated with our property leases. Last year, we held a lease for our lawyer centre in Staple Inn and our principal office on the first floor of 48 Chancery Lane. In April this year, we took a new lease of the second floor of Chancery Lane, and resigned a new lease on the first floor so that both leases co-terminate in 5 years' time. The lease in Staple Inn came to an end during this year.

PBT and Adjusted PBT

Adjusted PBT is calculated as follow:

	2020 **£**	2019 (Adjusted) £
Profit before tax	**5,225,891**	4,745,011
Amortisation	**350,884**	350,884
Share based payments	**128,286**	43,205
One off impact of property changes	**51,547**	–
Adjusted PBT	**5,756,608**	5,139,100
One off litigation case	–	(698,161)
Adjusted PBT (excluding effect of one off litigation)	**5,756,608**	4,440,939

PBT has increased by 10.1% to £5.2m and adjusted PBT has increased by 12.0% to £5.8m (these increases would have been 29.1% and 29.6% respectively had 2019 not benefitted from the one off piece of litigation). The effect of the one off litigation also impacted on the 2019 PBT and adjusted PBT margins which were 11.1% and 12% respectively but which otherwise would have been 10.0% and 11.0%. As such, although both the PBT and adjusted PBT margin declined this year, this was due to 2019 margin being enhanced. If we exclude the impact of the one off litigation from 2019 both the PBT and the adjusted margins for this year would have shown an increase reflecting the continued effect of operational gearing in the business.

Taxation

The effective tax rate of 20.3% is higher than the standard rate and that of the prior year (19.8%). 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.

Earnings Per Share

Basic earnings per share has increased from 12.2p to 13.3p, with the dilution effect from shares granted under LTIP being negligible. Adjusted earnings per share, (calculated by making the same adjustments to earnings as has been made in calculating adjusted PBT and divided by the average shares in circulation this year) has increased by 33.9% to 15.0p (2019: 11.2p).

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. As such, operating cash conversion for the year was 81% (2019: 92%) generating cash from operations of £4.9m (2019 (restated): £4.9m). This decrease in the operating cash conversion in the period, which equates to c £0.5m, is due to an increase in the level of client disbursements which have been paid by the Group and not yet recovered from clients on ongoing matters.

Capital expenditure was £0.4m (2019: £0.04) reflecting the costs associated with fitting out the new floor of offices taken in Chancery Lane, corporation tax payments were £0.8m (2019: £0.9m), net interest received was £0.06 (2019: £0.06) and lease payments were £0.15m (2019: £0.27m); lower this year than last, in spite of the additional space taken, due to the rent free periods on both of the new leases signed. As such, cash generated by the business in the year was £3.6m (2019: £3.8m).

The Group paid dividends of £5.5m (2019: £1.0m), which included ordinary dividends of £3.0m and a special dividend of £2.5m, the prior year had been much lower because it only reflected the previous interim and a small dividend in respect of the post admission period. This left closing cash of £4.4m (2019: £6.3m) and no debt.

Net Assets

Although the net assets of the Group have decreased from £15.4m to £14.1m, this is the result of the payment of a special dividend of £2.5m. This still 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.

Keystone's 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. 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.

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. Furthermore, the Keystone model which enables lawyers to deliver their services using technology further reduces the environmental impact as our lawyers have no need to commute to work.

The Directors treat all members of the Company 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

Due to the Covid-19 pandemic and the resultant uncertainty of the effects on the UK economy the Board has decided that it would not be prudent to propose a final dividend at this time. As such the total dividend for the period will be the amount paid as an interim dividend, that being 3.2p per share (2019: total ordinary dividend 9.0p (interim 2.5p)).

On behalf of the Board.

Ashley Miller
Finance Director
27 April 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 JANUARY 2020

	Note 8	**2020 £**	2019 (Restated) £
Revenue		**49,630,634**	42,689,253
Cost of sales		**(36,402,826)**	(31,107,330)
Gross profit		**13,227,808**	11,581,923
Depreciation and amortisation	3	**(794,658)**	(618,997)
Share based payments	3	**(128,286)**	(43,205)
Administrative expenses	3	**(7,219,826)**	(6,313,499)
Other operating income		**75,227**	72,876
Operating profit		**5,160,265**	4,679,098
Finance income	4	**151,991**	120,463
Finance costs	4	**(86,365)**	(54,550)
Profit before tax		**5,225,891**	4,745,011
Corporation tax expense		**(1,063,271)**	(937,782)
Profit and total comprehensive income for the year attributable to owners of the Parent		**4,162,620**	3,807,229
Basic and diluted EPS (p)	5	**13.3**	12.2

The above results were derived from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY 2020

	Note	2020 £	2019 (Restated) £	2018 (Restated) £
Assets				
Non-current assets				
Property, plant and equipment				
- Owned Assets		**385,000**	55,775	50,392
- Right-of-use assets		**1,746,157**	746,666	988,438
Total property, plant and equipment		**2,131,157**	802,441	1,038,830
Intangible assets		**6,459,490**	6,810,373	7,161,258
Available-for-sale financial assets		**13,628**	13,628	13,628
		8,604,275	7,626,442	8,213,716
Current assets				
Trade and other receivables	6	**16,561,439**	14,510,726	11,994,713
Cash and cash equivalents		**4,386,586**	6,343,637	3,589,969
		20,948,025	20,854,363	15,584,682
Total assets		**29,552,300**	28,480,805	23,798,398
Equity and liabilities				
Equity				
Share capital		**62,548**	62,548	62,548
Share premium		**9,920,760**	9,920,760	9,920,760
Share based payments reserve		**171,491**	43,205	–
Retained earnings		**3,958,134**	5,331,002	2,568,343
Equity attributable to equity holders of the Parent		**14,112,933**	15,357,515	12,551,651
Non-current liabilities				
Lease liabilities		**1,499,900**	524,777	836,680
Deferred tax liabilities		**336,999**	407,177	477,355
		1,836,899	931,854	1,314,035
Current liabilities				
Trade and other payables		**12,500,318**	11,575,061	9,477,899
Lease Liabilities		**497,791**	311,971	320,063
Corporation tax liability		**541,892**	210,291	59,750
Provisions		**62,467**	94,113	75,000
		13,602,468	12,191,436	9,932,712
Total liabilities		**15,439,367**	13,123,290	11,246,747
Total equity and liabilities		**29,552,300**	28,480,805	23,798,398

A Miller
Director
Keystone Law Group Plc
Registered No: 09038082

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JANUARY 2020

	Attributable to equity holders of the Parent				
	Share capital £	Share premium £	Share based payments reserve £	Retained earnings £	Total £
At 31 January 2018 (Restated)	62,548	9,920,760	–	2,568,343	12,551,651
Profit for the year and total comprehensive income	–	–	–	3,807,229	3,807,229
Dividends paid in the year	–	–	–	(1,044,570)	(1,044,570)
Share based payments	–	–	43,205	–	43,205
At 31 January 2019 (Restated)	62,548	9,920,760	43,205	5,331,002	15,357,515
Profit for the year and total comprehensive income	–	–	–	4,162,620	4,162,620
Dividends paid in the year	–	–	–	(5,535,488)	(5,535,488)
Share based payments	–	–	128,286	–	128,286
At 31 January 2020	62,548	9,920,760	171,491	3,958,134	14,112,933

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 JANUARY 2020

	Note	2020 £	2019 (Restated) £
	8		
Cash flows from operating activities			
Profit before tax		**5,225,891**	4,745,011
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	3	**794,658**	618,997
Share based payments	3	**128,286**	43,205
Finance income	4	**(151,991)**	(120,463)
Finance costs	4	**86,365**	54,550
		6,083,209	5,341,300
Working capital adjustments			
Increase in trade and other receivables		**(2,050,713)**	(2,516,013)
Increase in trade and other payables		**925,257**	2,058,456
(Decrease) / Increase in provisions		**(31,646)**	19,113
Cash generated from operations		**4,926,107**	4,902,556
Interest paid		**(8,710)**	(7,659)
Interest portion of lease liability		**(77,655)**	(46,891)
Corporation taxes paid		**(801,849)**	(857,420)
Cash generated from operating activities		**4,037,893**	3,990,586
Cash flows from investing/(used in) activities			
Interest received		**151,991**	120,463
Purchases of property plant and equipment		**(403,501)**	(39,609)
Net cash generated from investing activities		**(251,510)**	80,854
Cash flows from financing activities			
Lease repayments		**(207,946)**	(273,203)
Dividends paid in year		**(5,535,488)**	(1,044,570)
Net cash generated (used in)/from financing activities		**(5,743,434)**	(1,317,773)
Net (decrease) / increase in cash and cash equivalents		**(1,957,051)**	2,753,667
Cash at 1 February		**6,343,637**	3,589,970
Cash at 31 January		**4,386,586**	6,343,637

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated as Keystone Law Group Limited on 13 May 2014 under the Companies Act 2006 (registration no. 09039092) and subsequently used as the vehicle to acquire Keystone Law Limited (the main trading company in the Group) and its subsidiaries on 17 October 2014. The Company was re-registered as a Public Limited Company on 10 November 2017. The Company was incorporated and is domiciled in England and Wales. The principal activity of the Group is the provision of legal services.

The address of its registered office is:

48 Chancery Lane
London
WC2A 1JF

The Financial Statements are presented in Pounds Sterling, being the functional currency of the Group.

2. ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The Financial Statements have been prepared in accordance with International Financial Reporting Standards and interpretations issued by the International Financial Reporting Standards Interpretations Committee (“IFRIC”) as adopted by the European Union (collectively “adopted IFRS’s”).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES

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

BASIS OF PREPARATION

The preliminary announcement does not constitute full financial statements.

The results for the year ended 31 January 2020 included in this preliminary announcement are extracted from the audited financial statements for the year ended 31 January 2020 which were approved by the Directors on 27 April 2020. 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 2020 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 30 June 2020. The financial statements for the year ended 31 January 2020 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 2019 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 2019 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. In the month since the COVID-19 pandemic broke in the UK, whilst billing and cash generation have remained strong, the Group has seen a meaningful decline in the number of new instructions received. Accepting that the pandemic is still at an early stage and that the wider economic effect on the Group’s clients and business, together with the unknown duration for which it may apply makes it impossible to assess the impact on the Group and Company with any certainty, we have modelled a range of scenarios, including some which are significantly more negative than that which are currently believed to be the most likely outcome for the Group. Under all of the scenarios currently modelled the business remains profitable and cash generative for the financial year ending 31 January 2021.

3. Expenses by nature

Expenses are comprised of:

	2020 £	2019 (Restated) £
Depreciation	**74,276**	34,226
Amortisation – intangible assets	**350,884**	350,884
Amortisation – right of use assets	**369,498**	233,887
Share based payments	**128,286**	43,205
Staff costs	**3,414,691**	2,884,754
Other administrative expenses	**4,364,920**	3,867,697
	8,702,555	7,414,653

Included within staff costs above are the costs of employed fee earners who are included within cost of sales (2020: £559,785, 2019: £438,952).

4. Finance income and costs

	2020 £	2019 (Restated) £
Finance income		
Interest income on bank deposits	**151,991**	120,463
Finance costs		
Interest on bank overdrafts and borrowings	**(8,710)**	(7,659)
Interest on leases for own use	**(77,655)**	(46,891)
Total finance costs	**(86,365)**	(54,550)
Net finance costs	**65,626**	65,913

5. Earnings per share

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

	2020 £	2019 (Restated) £
Profit attributable to owners of the parent	**4,162,620**	3,807,299
Adjusted earnings	**4,693,247**	3,503,227

	2020 No of shares	2019 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	**135,227**	53,447
For diluted earnings per share	**31,409,168**	31,327,388
Basic earnings per share (p)	**13.3**	12.2
Diluted earnings per share (p)	**13.3**	12.2
Adjusted basic earnings per share (p)	**15.0**	13.4

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

6. Trade and other receivables

	Group 2020 £	2019 £
Trade receivables	10,084,511	8,255,214
Provision for impairment of trade receivables	**(2,659,483)**	(1,702,097)
Net trade receivables	**7,425,028**	6,553,117
Receivables from related parties	**10,360**	15,806
Accrued income	**6,642,950**	5,647,263
Prepayments	**1,036,900**	1,022,157
Other receivables	**1,446,201**	1,272,383
Total current trade and other receivables	**16,561,439**	14,510,726

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.

	2020 Gross £	**2020 Provision £**	**2020 Expected Loss Rate %**	2019 Gross £	2019 Provision £	2019 Expected Loss Rate %
0 to 30 days	**3,612,605**	–	0.0	3,476,340	495	0.1
31 to 60 days	**1,634,222**	–	0.0	1,482,896	–	0.0
61 to 90 days	**1,024,966**	–	0.0	853,986	936	0.1
91 to 120 days	**589,719**	–	0.0	469,966	–	0.0
4 to 6 months	**292,601**	**26,757**	**9.1**	292,075	20,715	7.1
6 months to 1 year	**1,348,970**	**1,051,298**	**77.9**	759,052	759,052	100.0
Over 1 year	**1,581,429**	**1,581,429**	100.0	920,899	920,899	100.0
	10,084,512	**2,659,484**	**26.4**	8,255,214	1,702,097	20.6

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

7. Dividends

During the year, the Company paid the final dividend in respect of the year ended 31 January 2019, which was approved at the Company's 2019 Annual General Meeting (AGM), of 6.5p as well has an ordinary interim dividend in respect of the year ended 31 January 2020 of 3.2p per share and a special dividend of 8.0p per share. As such the total dividend payments in the year amounted to £5,535,488 (2019: £1,044,570). Due to the Covid-19 pandemic and the resultant uncertainty of the effects on the UK economy the Board has decided that it would not be prudent to propose a final dividend at this time. As such the total dividend for the period will be the amount paid as an interim dividend, that being 3.2p per share (2019: total ordinary dividend 9.0p (interim 2.5p)).

8. Prior year adjustments

The application of IFRS16 has resulted in a need to restate certain of the prior year balances. As such, the prior year comparatives have been restated as detailed below:

2018	Reported £	Change £	Restated £
Consolidated Statement of Financial Position			
Assets for Use	–	988,438	988,438
Trade and other payables	(9,646,204)	168,305	(9,477,899)
Lease liabilities (Current liabilities)	–	(320,063)	(320,063)
Lease liabilities (Non-current liabilities)	–	(836,680)	(836,680)

2019	Reported £	Change £	Restated £
Income Statement			
Depreciation and amortisation	(385,111)	(233,886)	(618,997)
Administrative expenses	(6,594,276)	280,777	(6,313,499)
Finance costs	(7,659)	(46,891)	(54,550)
Consolidated Statement of Financial Position			
Assets for Use	–	746,666	746,666
Trade and other payables	(11,665,043)	89,982	(11,575,061)
Lease liabilities (Current liabilities)	–	(311,971)	(311,971)
Lease liabilities (Non-current liabilities)	–	(524,777)	(524,777)
Consolidated Statement of Cash Flows			
Depreciation and amortisation	385,111	280,777	665,888
Increase in trade and other payables	2,018,839	39,317	2,058,156
Cash generated from operating activities	3,717,383	320,064	4,037,477
Lease repayments	–	(320,094)	(320,094)

9. Post balance sheet events

In March 2020, the COVID-19 pandemic broke in the UK. This event has not impacted on the Group's financial performance for the year ended 31 January 2020 nor on its financial position as at 31 January 2020.

The current situation is unprecedented and the wider economic impact on our clients, together with the unknown duration for which it may apply, mean that the impact on the Group for the year ending 31 January 2021 cannot yet be assessed. In the month since the pandemic broke in the UK, whilst billing and cash generation have remained strong, we have, rather unsurprisingly, seen a meaningful decline in the number of new instructions received. Accepting that we are still at an early stage of the pandemic, we have modelled a range of scenarios, including some which are significantly more negative than that which we currently believe to be the most likely outcome for the Group, and under all of the scenarios currently modelled the business remains profitable and cash generative for this financial year.

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