29 April 2021

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

Full year results for the period ending 31 January 2021

Resilient financial performance supported by a differentiated & scalable business model

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 2021 ('FY2021').

Financial Highlights

- Revenue growth of 10.9% to £55.0 million (FY2020: £49.6million)
- PBT of £5.4 million (FY2020: £5.2 million)
- Adjusted PBT of £6.0 million, representing growth of 3.6% (FY2020: £5.8 million)
- Basic EPS of 13.8 pence, up 3.8% from 13.3 pence
- Adjusted EPS of 15.6 pence, up 4.0% from 15.0 pence
- Strong operating cash conversion at 100% with cash generated from operations of £6.6 million (FY2020: £4.9 million)
- Maintained robust cash position of £7.4 million, remain debt free
- Proposed final dividend of 10.6p (2020: Nil) taking full year Ordinary DPS to 17.2p (2020: 3.2p Ordinary and 8.0p Special)

Strategic Highlights

- Our unique model continues to drive strong organic growth
  - Lawyer recruitment has remained robust, with qualified new applicants up 6% to 253 (FY2020: 239) and accepted offers increasing 25% to 70 (FY2020: 56)
  - Lawyers have continued to grow their practices despite Covid-19 having a negative effect on client demand, with 74 (FY2020: 52) Pod members operating within 44 Pods
- We actioned a swift and effective response to Covid-19, supporting our people throughout with a strong focus on wellbeing
  - Seamlessly moved all staff to homeworking from 13 March 2020, ahead of the first lockdown, for which we were well positioned due to our strong IT infrastructure
  - Did not furlough employees or defer tax payments
  - We have undertaken a full programme of online events for our lawyers to help support their health and happiness and enable them to maintain their networks within the business
- We continue to invest into our proprietary technology, improving ease of access and lawyer utilisation of the system to further facilitate remote working
- Our model and strong supportive culture has received external recognition - in 2020 we won the Law Firm of the Year at The Lawyer awards, and in January this year we were awarded the Roll on Friday 'Firm of the Year', with Keystone scoring 94% satisfaction rating

Current trading and outlook

- The current financial year has started well, with good levels of activity from our existing lawyers, and the number and quality of new applicants gives us confidence in the year ahead

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

The nature of Keystone's business model, whereby our 350+ lawyers were all well acquainted with remote working when lockdown began, has undoubtedly made it easier for the firm to remain 100% operationally efficient since March 2020. Nevertheless, I am extremely proud of what the firm and our people have achieved in the last year, not just for maintaining that efficiency but also for delivering solid growth. I was particularly impressed with how our central office team switched seamlessly to home working and their collective performance since in supporting our lawyers has been faultless.

I am excited about the year ahead, not least because the vast majority of the legal profession has started to suspect something that we have known for 20 years: if the right tools and infrastructure are in place then lawyers, even when undertaking complicated, multi-disciplinary transactions, can deliver a far better service if they are given flexibility and autonomy while enjoying a better work-life balance.

-ENDS-

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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, 29 April 2021. Analysts wishing to attend this event can register via email at keystonelaw@fticonsulting.com. Keystone's Full Year 2021 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, 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 over 350 high calibre self-employed 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 STATEMENT

I am pleased to introduce Keystone Law's results for the year ended 31 January 2021.

In what has been a very challenging year for all, our technology and our culture have ensured that we have remained 100% operationally effective, continuing to support our clients throughout the year. COVID-19 and the resultant government restrictions affected client demand, especially during the first half of the year. In this context, the Group has had a good year, with revenue increasing by 10.9% to £55.0m (2020: £49.6m) and adjusted PBT* increasing by 3.6% to £6.0m, representing a 10.8% margin (2020: £5.8m, 11.6% margin) (PBT increase of 3.4% to £5.4m (9.8% margin) from £5.2m (10.5% margin).

Cash generation has been particularly strong, with cash generated from operations of £6.6m (2020 £4.9m) representing an operating cash conversion of 100% (2020: 82%).

* Adjusted PBT for 2021 is calculated by adding share based payment costs and amortisation to PBT (2020: calculated by adding share based payment costs, amortisation and one off costs associated with the property changes back to PBT). Details of these calculations are shown in the Financial Review.

DIVIDEND

As we announced in our Interim Statement, the Board believed that it was appropriate to reinstate payments of dividends and given the strong cash generation two interim dividends of 3.3p each were declared, the first being an amount equivalent to approximately half of that which would have been paid in respect of the year ended 31 January 2020 had the pandemic not happened and the second being in line with the Group's established dividend policy. In light of the strong second half performance and taking into account the strength of the balance sheet, the Board is proposing to pay a final dividend for the year ended 31 January 2021 of 10.6p per share (2020: £Nil). This dividend is comprised of two amounts, the first being an amount of 3.5p per share which is the remaining value which would have been paid in respect of 31 January 2020 had the pandemic not occurred and the balance of 7.1p per share in accordance with the established dividend policy. This brings the total dividend for the year to 17.2p per share (2020: 3.2p per share); 6.8p per share which would have been paid in respect of the year ended 31 January 2020 were it not for the pandemic and 10.4p per share in line with the Group's dividend policy.

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 our annual report and accounts.

We were pleased to welcome Isabel Napper to the Board as non-executive director during the year. Now that Peter Whiting is stepping down, as previously announced, she will Chair the Remuneration Committee. Also effective today, Simon Philips will take over as Chair of the Audit Committee We would like to thank Peter for his contribution to the Board since our IPO in 2017.

OUR PEOPLE AND TECHNOLOGY

Our people and our technology are two of the pillars on which Keystone is built, and the strength and resilience of these has been clearly demonstrated this year. Throughout the pandemic ensuring the health and wellbeing of our people has been central to our approach to dealing with the situation. In early March 2020, ahead of the government's first lockdown, we moved all central office staff to home working. The technology we use to provide the lawyers the flexibility to work whenever and from wherever they want ensured that this was a simple step and since then we have continued to operate in this manner. As such our technology has ensured that we have remained 100% operationally efficient throughout the year whilst our corporate culture was already fully adapted to supporting colleague working in a remote environment.

OUTLOOK

I am pleased to say that the current year has started well. Whilst there remains some uncertainty as to how the economy will respond as Government restrictions relax, as a Board, we are confident in the Group's ability to continue to deliver on its organic growth strategy, taking advantage of the sizeable market opportunity which exists to continue to deliver strong results.

Robin Williams
Non-executive Chairman
28 April 2021

CHIEF EXECUTIVE'S REVIEW
Operational Review

INTRODUCTION AND HIGHLIGHTS

I am very pleased to be able to report that, in spite of the challenges faced by the COVID-19 pandemic, Keystone has had another successful and award-winning year.

The business has continued to grow, with revenue up 10.9% to £55m (2020: £49.6m) and adjusted PBT increasing by 3.6% to £6.0m (2020: £5.8m) (PBT increase of 3.4% to £5.4m). The cash generative nature of the model and thus its resilience has also been strongly demonstrated this year, with operating cash generated of £6.6m. This has given us the confidence not only to reinstate dividends in line with our stated policy but also to "catch up" the amount which would have been declared for the year ended 31 January 2020 had it not been for the outbreak of the pandemic.

Being 100% operational also meant that our recruitment activities continued unabated throughout the year and as such the number of Principals* increased from 328 to 369 and we saw the number of Pod members increase from 54 to 74, as both new and existing lawyers chose to expand their practice in this way.

In November we won what is arguably the most prestigious award in the UK Legal Industry; The Lawyer Awards: Law Firm of the Year. It is the first time that this award has been granted to a "new law" firm and reasserts our belief that Keystone is now very much recognised by the "establishment". This award recognises the best in class when it comes to private practice legal services over the past 12 months. Keystone was described by the award givers as, the firm which had "rethought the model", which was "light years ahead of everyone on virtual working" and was "big on work life balance".

We also won Firm of the Year 2021 in the Roll on Friday awards. This award is given to the "happiest firm" in the UK, based on a satisfaction survey run by Rollonfriday.com of lawyers and support staff in law firms across the UK. Keystone won by some margin, with a 94% satisfaction rating across such categories as pay, career development, work / life balance and culture.

We are tremendously proud of these two awards as they go to the very heart of what Keystone is; a business which enables lawyers to deliver high quality legal services to clients whilst providing a culture which delivers support, well-being and happiness to our people; both elements of which we believe are fundamental to the success of Keystone.

* 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.

OUR RESPONSE TO COVID-19

Our response to the pandemic has focused on two things, keeping our people safe and maintaining 100% operational efficiency. The health, well-being and happiness of our people is, and always has been, at the heart of the Keystone culture and this drove our decision to move our central office team to homeworking ahead of the first government lockdown. Having the technology stack already designed to support remote working meant that we were able to implement this decision swiftly without impacting on the quality of support that our lawyers receive.

During the short periods through the pandemic, when the government guidance encouraged a reopening of elements of society, we enabled lawyers to use our client meeting rooms when this was necessary. Ensuring that this was done in a COVID secure manner was a key priority and we therefore, encouraged the lawyers to only use the facilities where it was unavoidable, reduced meeting room capacity significantly and provided all the additional cleaning and other sanitary facilities necessary to protect anyone who was on site.

Maintaining Keystone's culture, a culture built on social interaction and cohesion has presented a new set of challenges this year. In normal times, we dedicate substantial time and energy to ensuring that our people are well connected to one another and to the central team. This is usually achieved thanks to the number of physical events which we run, be it Continuing Professional Development events, sector / lawyer lunches, sports or cultural events. All of these bring our lawyers together in a social environment which enables them to network both personally and professionally. It is this aspect of the Keystone experience which has been most challenged by the government response to COVID-19. In the absence of physical events, we have had to take a more creative approach by replicating traditional networking events using online alternatives. Accordingly, we have continued to run an extensive number of events online which have evolved and varied over the period in order to keep them fresh and attractive to our people and have even launched our very own online pub; "The Keystone Arms" which hosted around 350 Keystone lawyers at the opening night. Treating our lawyers as valued personnel rather than commodities is one of the pillars upon which our culture is built and is essential to Keystone's success. A myriad of thoughtful initiatives such as sending champagne for every lawyer birthday or creating special Keystone colouring-in books to help reduce the pain of home schooling, have genuinely helped Keystone's personnel remain upbeat and effective throughout this challenging year.

From a financial perspective, we decided that the strength of our balance sheet and the resilient nature of our business model, made it inappropriate for Keystone to take advantage of the government schemes that were put in place to support struggling businesses. As such, we did not furlough any employees or defer any tax payments.

SCALABLE MODEL DRIVING ORGANIC GROWTH

Our clear, simple strategy for growth remains unchanged; organic growth through the recruitment of high calibre lawyers in the UK legal services market.

In furtherance of this strategy we actively encourage and support Principals to grow their own Pods by recruiting juniors to work with them. In this way, Principal lawyers are able to build larger practices, thus increasing the average revenue per Principal, and by doing so, further leverage the value of their client relationships. To the extent that Principals need junior support but do not have a permanent need, or do not wish to build their own Pod, we also 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 offers an attractive proposition for experienced lawyers as it gives them control to develop their practice on their own terms, concentrating exclusively on client development and the delivery of legal work. They enjoy the ability to work when and where they want and they appreciate the user-friendly bespoke technology with access to over 365 experienced colleagues to service their clients. Meanwhile an efficient central office team provides them with the full range of logistical support they need. All this comes together with the ability to earn more money for the work they do whilst enjoying an improved work / life balance and a culture which is open, friendly and collegiate whilst remaining highly professional.

In the twelve months ended 31 January 2021, the size and nature of the market remained essentially unchanged. The government restrictions on movement meant that this year all UK lawyers have had to work from home for long periods of time and whilst many will have struggled with their firm's technology there has been a clear structural shift in the attitude towards remote working. This change has undoubtedly served to further erode any erroneous perceptions, which some lawyers working in traditional firms may still have held, regarding the ability of lawyers to work in this way and as such will have further extended the reach of the Keystone model. Winning "Law Firm of the Year" at the Lawyer Awards clearly demonstrates this change and confirms that Keystone is now firmly accepted by the mainstream legal establishment.

2021 has been another strong year for recruitment with the number of qualified new applicants increasing 6% to 253 and the number of offers accepted by candidates increasing by 25% to 70. The shape of the year has been unusual insofar as the "ordinary" triggers which drive recruitment peaks, notably the post holiday return to work, have been largely absent and it has been other events driving candidates desire for change. This was very apparent during the first lock down which created a significant level of uncertainty across the legal industry and coincided with an uptick in the number of qualified new applicants, especially from the recruitment agencies. The second half saw further disruption as the restrictions were first relaxed through the summer period before once again escalating, albeit in something of a patchwork manner, during the rest of the year. The uncertainty created by these changes impacted on both the overall number, but also the timing, of qualified new applicants which ebbed and flowed in response to the changing picture. The start of the 2022 financial year has seen a fair but variable start with events continuing to evolve as we move from full lockdown to the start of the relaxation of restrictions in line with the government's roadmap.

In spite of the negative effect that COVID-19 had on client demand, most notably during the first half of the year, our lawyers have continued to grow their practices by recruiting juniors and colleagues into their Pods and as of 31 January 2021 we had 74 (2020: 56) Pod members operating within 44 Pods (2020: 31). This growth has been driven by a combination of new and existing Principals and further endorses the strength and flexibility of the model.

CONTINUING INVESTMENT IN IT

The investment made over many years in our IT infrastructure meant that we started the year in a strong position and as such COVID-19 had only a limited effect on the focus of the IT team this year. As always we continued to develop and enhance our core systems to ensure that they remain "best in class", always seeking to provide the best user experience and to drive ever greater operational efficiencies. Over and above this, IT security continues to be a key focus for the team and having rolled out a number of security enhancements to the estate last year, we continued to enhance the security environment as well as stepping up the awareness programme on cybersecurity.

The one area where COVID-19 did affect the IT team was in the take up and usage of video conferencing platforms as a primary tool for client meetings as well as internal interaction with colleagues. We had all the necessary tools in place prior to the pandemic although usage levels were low with most people favouring more conventional means of meeting. Once again, having the tools available ahead of the outbreak meant that we were well-placed to ensure a seamless transition from physical meetings to online meetings and the IT team worked extremely well to educate Keystone personnel on the availability and functionality of Microsoft Teams.

ONGOING INVESTMENT IN THE CENTRAL OFFICE TEAM

Once again this year, the Central office team has demonstrated the "positive and can do" attitude of which I have become so proud over the years. It is worth noting that the Central Office team have previously only worked from our offices in Chancery Lane but with the outbreak of the pandemic they immediately switched to remote working. Their positive attitude to this seismic shift in the working environment ensured that we could continue to support our lawyers without interruption and deliver the "best in class" service to which they have become accustomed. This year has demonstrated the flexibility and adaptability of all aspects of the Keystone model and as ever the Central office team has played a key part in delivering this. I would like to take this opportunity to thank all of the Central office team for their hard work and enthusiasm.

LOOKING AHEAD

The current year has started well. The activity of the existing lawyers is strong and both the number and quality of qualified new applicants provide confidence in the year ahead. With the government roadmap in place and progress being made towards the relaxation and hopefully end to lockdown restrictions, it is to be hoped that the general economic outlook will improve. Having performed well in spite of the restrictions last year, the Group is well positioned to take advantage of the improving position this year and deliver another strong performance.

James Knight
Chief Executive
28 April 2021

FINANCIAL REVIEW AND STRATEGIC REPORT

KEY PERFORMANCE INDICATORS (KPIs)

The following KPIs are used by the management to monitor the financial performance of the Group.

Revenue growth: 10.9% increase (2020: 16.3%)

Adjusted PBT growth: 3.6% increase (2020: 12.0%)

Adjusted PBT margin: 10.8% (2020 11.6%)

PBT growth: 3.4% increase (2020: 10.1%)

PBT margin: 9.8% (2020: 10.5%)

Operating cash conversion %: 100% (2020: 81%)

Trade debtor days: 38 (2020: 36)

Net Assets: £16.6m (2020: £14.1m)

The calculation of adjusted PBT is shown below.

INCOME STATEMENT

I am pleased to report revenue for the year of £55.0m, an increase of 10.9% on the prior year. As previously reported, whilst the pandemic caused significant disruption to client demand in the first half of the year, we experienced a return to pre Covid-19 levels during the second half. This is clearly demonstrated by the relative growth rates experienced in each period: year on year growth in the first half was 6.5% whereas the second half revenue was up 14.7%. 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 328 to 369.

GROSS PROFIT

The gross profit margin of the business has fallen this year to 25.9% (2020: 26.7%). The key reason for this this reduction has been driven by two factors, both of which affect the level of profitability generated by our employed junior lawyers. The first of these causes has been the pandemic and the resultant impact on client demand, especially in the first half of the year. The second is, rather perversely, a reflection of the successful evolution of the Pod concept. The Pod concept has developed quite substantially over the last couple of years to the extent that it is now a generally accepted means by which Keystone lawyers develop their practice. As such, it does mean that certain circumstances which historically would have resulted in exceedingly high utilisation of the employed juniors are now less likely to occur. One such example scenario is where a Principal lawyer is involved in a large case which requires full time junior support over a prolonged period of time; historically such a situation would have resulted in additional gross margin through the employed lawyers, whereas with the evolution of the Pod concept it is far more common that a Principal in this position would recruit a junior into their Pod such that we would benefit from the revenue at the standard gross margin.

ADMINISTRATIVE EXPENSES

Administrative expenses have increased by 6.7% to £7.7m (2020: £7.2m). The largest single component of this is staff costs which increased by 15.2% to £3.3m (2020: £2.9m), with support staff increasing from an average of 44 in 2020 to 47 in 2021. At the start of the pandemic, the Board decided that given the financial strength and resilience of the Group, it would be inappropriate to take advantage of government schemes aimed at supporting those in need and as such we did not furlough any staff during the period. That said, whilst the average number of support staff increased year on year, support staff headcount remained flat across the year. Other administrative costs increased by 1.2% to £4.42m (2020: £4.36m).

OTHER COSTS

During 2020, the Group entered into new lease arrangements in respect of our principal office at 48 Chancery Lane and 2021 was the first full year that these arrangements came into effect. As such the charge for amortisation of right of use assets increased by 11% and depreciation increased by 51% to £0.1m as the charge in respect of the investment made in leasehold improvements last year also took full effect. The charge in respect of share based payments increased from £0.13m to £0.2m 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 follow:

	2021 £	2020 £
Profit before tax	**5,405,135**	5,225,891
Amortisation	**350,884**	350,884
Share based payments	**208,671**	128,286
One off impact of property changes	–	51,547
Adjusted PBT	**5,964,690**	5,756,608
PBT Margin	**9.8%**	10.5%
Adjusted PBT Margin	**10.8%**	11.6%

The decline in both PBT and adjusted PBT margins this year (0.7% and 0.8% respectively) has been principally driven by the reduction in gross profit margin, which was caused by a lower level of utilisation of the centrally employed junior lawyers as explained above. With interest rates falling almost to nil, finance income fell by £0.1m contributing a further 0.3% decline in the margin. These movements were partly offset because administrative expenses, net of other operating income, fell as a percentage of revenue by 0.4% reflecting the continuing benefits of operational gearing in the business.

TAXATION

The effective tax rate of 19.9% is higher than the standard rate and lower than that of the prior year (20.3%). 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 lower as we were unable to hold a number of lawyer events due to the restrictions imposed on social interaction.

EARNINGS PER SHARE

Basic earnings per share increased from 13.3p to 13.8p, with the dilution effect from shares awarded 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 4% to 15.6p (2020: 15.0p).

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 for the year was particularly strong this year at 100% (2020: 81%) generating cash from operations of £6.6m (2020: £4.9m). Last year's cash conversion had been somewhat depressed by an increase in the level of client disbursements which had been paid by the Group and not yet recovered from clients at the year end, this position unwound during this financial year with the level of disbursement funding falling this year. Furthermore, the growth in accrued income this year has been slower than in the prior year (net £0.1m) due to the disruption caused by the pandemic. Capital expenditure was £0.05m (2020: £0.4m) having returned to the normal run rate within the business having incurred the costs associated with fitting out the new floor of offices taken in Chancery Lane last year. Corporation tax payments were £1.0m (2020: £0.8m). Net interest received (ex the interest portion of lease payments) of £0.02m (2020: £0.14m) has fallen substantially as interest base rates have fallen to almost Nil whilst the interest element of lease payments was £0.1m (2020: £0.08m). Lease repayments of £0.4m reflect the normal run rate of payments under our existing leases (2020: £0.2m benefitted from rent free periods at the start of the new leases). As such, cash generated by the business in the year, being net cash flow pre dividend payments, was £5.0m (2020: £3.6m). The Group paid dividends of £2.1m (2020: £5.5m), which included two ordinary interim dividends of 3.3p per share each. This left closing cash of £7.4m (2020: £4.4m) and no debt.

NET ASSETS

The net assets of the Group have increased from £14.1m to £16.6m, with retained earnings of profits of £4.3m less the dividends of £2.1m. 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 frameworks 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. 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 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

In light of the strength of the second half performance and taking into account the strength of the balance sheet, the Board is proposing to pay a final dividend for the year ended 31 January 2021 of 10.6p per share (2020: nil). This dividend is comprised of two elements, the first being an amount of 3.5p per share which is the remaining value which would have been paid in respect of 31 January 2020 had the pandemic not occurred and the balance of 7.1p per share in accordance with the established dividend policy. This brings the total dividend for the year to 17.2p per share (2020: 11.2p per share (3.2p Ordinary and 8.0p Special)); 6.8p per share which would have been paid in respect of the year ended 31 January 2020 were it not for the pandemic and 10.4p per share in line with the Group's dividend policy.

The proposed final dividend will be payable on 9 July 2021 to shareholders on the register at the close of business on 11 June 2021.

On behalf of the Board

Ashley Miller
Finance Director
28 April 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 JANUARY 2021

	Note	2021 £	2020 £
Revenue		**55,027,227**	49,630,634
Cost of sales		**(40,770,513)**	(36,402,826)
Gross profit		**14,256,714**	13,227,808
Depreciation and amortisation	3	**(874,110)**	(794,658)
Share based payments	3	**(208,671)**	(128,286)
Administrative expenses	3	**(7,706,481)**	(7,219,826)
Other operating income		**11,285**	75,227
Operating profit		**5,478,737**	5,160,265
Finance income	4	**39,515**	151,991
Finance costs	4	**(113,117)**	(86,365)
Profit before tax		**5,405,135**	5,225,891
Corporation tax expense		**(1,076,094)**	(1,063,271)
Profit and total comprehensive income for the year attributable to equity holders of the Parent		**4,329,041**	4,162,620
Basic and diluted EPS (p)	6	**13.8**	13.3

The above results were derived from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2021

	Note	2021 £	2020 £
Assets			
Non-current assets			
Property, plant and equipment			
– Owned assets		**323,940**	385,000
– Right-of-use assets		**1,335,297**	1,746,157
Total property, plant and equipment		**1,659,237**	2,131,157
Intangible assets		**6,108,606**	6,459,490
Other assets		**13,628**	13,628
		7,781,471	8,604,275
Current assets			
Trade and other receivables	7	**18,108,298**	16,561,439
Cash and cash equivalents		**7,371,300**	4,386,586
		25,479,598	20,948,025
Total assets		**33,261,069**	29,552,300
Equity and liabilities			
Equity			
Share capital		**62,548**	62,548
Share premium		**9,920,760**	9,920,760
Share based payments reserve		**380,162**	171,491
Retained earnings		**6,223,096**	3,958,134
Equity attributable to equity holders of the Parent		**16,586,566**	14,112,933
Non-current liabilities			
Lease liabilities	8	**1,015,924**	1,499,900
Deferred tax liabilities		**266,821**	336,999
		1,282,745	1,836,899
Current liabilities			
Trade and other payables	8	**14,032,341**	12,500,318
Lease liabilities	8	**538,544**	497,791
Corporation tax liability		**719,445**	541,892
Provisions		**101,428**	62,467
		15,391,758	13,602,468
Total liabilities		**16,674,503**	15,439,367
Total equity and liabilities		**33,261,069**	29,552,300

A Miller
Director

Keystone Law Group Plc
Registered No. 09038082

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JANUARY 2021

	Attributable to equity holders of the Parent				
	Share capital £	**Share premium £**	**Share based payments reserve £**	**Retained earnings £**	**Total £**
At 31 January 2019	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
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	62,548	9,920,760	380,162	6,223,096	16,586,566

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 JANUARY 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Profit before tax		**5,405,135**	5,225,891
Adjustments to cash flows			
Depreciation and amortisation	3	**874,110**	794,658
Share based payments	3	**208,671**	128,286
Finance income	4	**(39,515)**	(151,991)
Finance costs	4	**113,117**	86,365
		6,561,518	6,083,209
Working capital adjustments			
Increase in trade and other receivables		**(1,546,859)**	(2,050,713)
Increase in trade and other payables		**1,532,023**	925,257
Increase / (decrease) in provisions		**38,962**	(31,646)
Cash generated from operations		**6,585,644**	4,926,107
Interest paid		**(17,826)**	(8,710)
Interest portion of lease liability		**(95,291)**	(77,655)
Corporation taxes paid		**(968,719)**	(801,849)
Cash generated from operating activities		**5,503,808**	4,037,893
Cash flows from/(used in) investing activities			
Interest received		**39,515**	151,991
Purchases of property, plant and equipment		**(51,306)**	(403,501)
Net cash used in investing activities		**(11,791)**	(251,510)
Cash flows from financing activities			
Lease repayments		**(443,224)**	(207,946)
Dividends paid in year		**(2,064,079)**	(5,535,488)
Net cash (used in) financing activities		**(2,507,303)**	(5,743,434)
Net increase/(decrease) in cash and cash equivalents		**2,984,714**	(1,957,051)
Cash at 1 February		**4,386,586**	6,343,637
Cash at 31 January		**7,371,300**	4,386,586

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 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 Accounting Standards in conformity with the requirements of the Companies Act 2006.

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 for the years ended 31 January 2021 or 2020.

The results for the year ended 31 January 2021 included in this preliminary announcement are extracted from the audited financial statements for the year ended 31 January 2021 which were approved by the Directors on 28 April 2021. 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 2021 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 2021. The financial statements for the year ended 31 January 2021 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 2020 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 2020 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.

3. EXPENSES BY NATURE

Expenses are comprised of:

	2021 £	2020 £
Depreciation	**112,366**	74,276
Amortisation – intangible assets	**350,884**	350,884
Amortisation – right of use assets	**410,860**	369,498
Share based payments	**208,671**	128,286
Staff costs	**3,790,848**	3,414,691
Other administrative expenses	**4,417,034**	4,364,920
	9,290,663	8,702,555

Included within staff costs above are the costs of employed fee earners who are included within cost of sales (2021: £501,401; 2020: £559,785).

4. FINANCE INCOME AND COSTS

	2021 £	2020 £
Finance income		
Interest income on bank deposits	**39,515**	151,991
Finance costs		
Interest on bank overdrafts and borrowings	**(17,826)**	(8,710)
Interest on leases for own use	**(95,291)**	(77,655)
Total finance costs	**(113,117)**	(86,365)
Net finance costs	**(73,602)**	65,626

5. STAFF COSTS

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

	2021 £	2020 £
Wages and salaries	**3,307,043**	2,984,228
Social security costs	**360,521**	322,025
Pension costs, defined contribution scheme	**123,284**	108,438
	3,790,848	3,414,691

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

	2021 £	2020 £
Fee Earners	**9**	10
Administration and support	**47**	44
Total	**56**	54

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

6. EARNINGS PER SHARE

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

	2021 **£**	2020 £
Profit attributable to owners of the Parent	**4,329,041**	4,162,620
Amortisation	**350,884**	350,884
Share based payments	**208,671**	128,286
One off impact of property changes	–	51,547
Adjusted earnings	**4,888,596**	4,693,247

	2021 **No of shares**	2020 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	**205,143**	135,227
For diluted earnings per share	**31,479,084**	31,409,168
Basic earnings per share (p)	**13.8**	13.3
Diluted earnings per share (p)	**13.8**	13.3
Adjusted basic earnings per share (p)	**15.6**	15.0

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

	Company		**Group**	
	2021 **£**	2020 £	**2021** **£**	2020 £
Trade receivables	**–**	–	**10,381,433**	10,084,511
Provision for impairment of trade receivables	**–**	–	**(2,976,731)**	(2,659,483)
Net trade receivables	**–**	–	**7,404,702**	7,425,028
Receivables from related parties	**7,453,426**	4,744,973	**–**	10,360
Accrued income	**–**	–	**7,519,042**	6,642,950
Prepayments	**13,742**	29,785	**1,592,149**	1,036,900
Other receivables	**–**	–	**1,592,405**	1,446,201
Total current trade and other receivables	**7,467,168**	4,774,758	**18,108,298**	16,561,439

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.

	2021 Gross £	**2021 Provision £**	**2021 Expected Loss Rate %**	2020 Gross £	2020 Provision £	2020 Expected Loss Rate %
0 to 30 days	**3,438,200**	**–**	**0.0**	3,612,605	–	0.0
31 to 60 days	**1,814,914**	**–**	**0.0**	1,634,222	–	0.0
61 to 90 days	**875,870**	**–**	**0.0**	1,024,966	–	0.0
91 to 120 days	**599,953**	**–**	**0.0**	589,719	–	0.0
4 to 6 months	**344,544**	**–**	**0.0**	292,601	26,757	9.1
6 months to 1 year	**1,297,737**	**966,516**	**74.5**	1,348,970	1,051,298	77.9
Over 1 year	**2,010,215**	**2,010,215**	**100.0**	1,581,428	1,581,428	100.0
	10,381,433	**2,976,731**	**28.7**	10,084,511	2,659,483	26.4

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

8. TRADE AND OTHER PAYABLES

	Company		Group	
	2021	2020	**2021**	2020
	£	£	**£**	£
Trade payables	**–**	–	**6,936,732**	6,483,907
Accrued expenses	**30,450**	24,171	**6,945,752**	5,782,595
Amounts owed to group undertakings	**–**	–	**–**	–
Social security and other taxes	**–**	–	**149,857**	233,816
Other payables	**–**	–	**–**	–
Total trade and other payables	**30,450**	24,171	**14,032,341**	12,500,318

Included within the above accrued expenses is the liability for lawyer fees associated with the accrued income (2021 £5,585,486, 2020: £4,922,086).

The Group's exposure to market and liquidity risks related to trade and other payables is show below. 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	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	1,015,924	–	**1,554,468**
At 31 January 2021	1,392,592	1,267,975	1,015,924	11,760,461	**15,436,952**

	0 to 6 months £	7 to 12 months £	1 to 5 years £	Pay when paid £	**Total £**
Trade payables	274,918	–	–	6,208,989	**6,483,907**
Accrued expenses	480,509	380,000	–	4,922,086	**5,782,595**
Lease liabilities	228,519	269,272	1,499,900	–	**1,997,691**
At 31 January 2020	983,946	649,272	1,499,900	11,131,075	**14,264,193**

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.

The Company had accrued expenses of £30,450 (2020: 24,171) all of which would fall within the 0 to 6 months category above.