24 April 2023

KEYSTONE LAW GROUP

Keystone Law Group Plc

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

Full year results for the period ended 31 January 2023

Sustained financial and operational growth underpinned by Keystone's unique model and technology platform

Keystone, the network and tech-enabled challenger law firm, is pleased to announce its full year results for the year ended 31 January 2023 ("FY 2023").

Financial Highlights:

- Revenue growth of 8.1% to £75.3 million (2022: £69.6 million)
- Revenue per Principal up 4.1% to £190k (2022: £182.5k)
- PBT of £8.4 million (2022: £8.4 million)
- Adjusted PBT of £9.2 million, up 6.3% v Underlying Adjusted PBT 2022 of £8.7 million (1)
- Adjusted basic EPS of 24.2 pence, up 2.5% from 23.6 pence
- Strong operating cash conversion at 96.5% with cash generated from operations of £9.3 million (2022: £10.0 million); the Group remains debt-free
- Proposed final ordinary dividend of 10.9p (2022: 11.2p), bringing total ordinary DPS for the year to 16.1p (2022: 15.7p)

(1) Adjusted PBT in 2022 (£9.1m) was enhanced by approximately £0.4m from impact of Covid-19 and related restrictions, excluding these underlying adjusted PBT was c£8.7m and Underlying adjusted PBT margin would have been 12.5%

Operational Highlights:

- Registered 232 qualified high-calibre new applicants (2022: 228) against a backdrop of a highly competitive recruitment market
- 32 Principals joined across FY 2023, increasing the number of Principals to 398 (2022: 394)
- Total fee earners increased to 507 (2022: 481)
- Delivered of a full programme of face-to-face networking and social events, which form such an essential part of our DNA, enhancing both the professional and personal experience of those working at Keystone
- Continued investment in our central office team, ensuring that the service delivery ethos and level of support enjoyed by our lawyers remains second to none
- Ongoing investment in technology platform:
  - designing and building proprietary pitch creation tool to enable our lawyers to produce personalised pitches quickly and easily
  - developing bespoke tool to drive greater operational efficiency in preparation and submission of applications to legal directories

Current Trading and Outlook:

- Keystone has made a positive start to the current financial year, with levels of client demand remaining strong
- Conditions in the recruitment market are starting to change as demand for lawyers is falling from the exceptional levels experienced in recent years. However, candidates still cautious of change
- The Board remains confident that FY 2024 will be another good year.

James Knight, Chief Executive Officer of Keystone, commented:

"Keystone has delivered another strong financial performance; growing revenue, increasing underlying profits and generating strong cashflow. Our unique business model continues to appeal to the high-calibre candidates we seek to recruit and, in what has been a highly competitive recruitment market, we have continued to grow our lawyer base.

The new financial year has started well. We have started to see demand for recruitment of lawyers across the industry cooling slightly from exceptional levels, and I am confident that as the year progresses, we will see traditional push factors generating increased candidate flow which will further support our growth."

Analyst Briefing

A meeting for analysts will be held virtually at 9.30am this morning. Analysts wishing to attend this event can register via email at keystonelaw@vigoconsulting.com .

Retail Investor Presentation

Keystone Law's management team will provide a separate presentation and Q&A for investors at 1.00pm on Wednesday, 26 April 2023.

The presentation will be hosted on the Investor Meet Company digital platform, where questions can be submitted pre-event up until 9.00am on the day before the meeting, or at any time during the live presentation.

To sign up to IMC, please visit:
www.investormeetcompany.com/keystone-law-group-plc/register-investor

For further information please contact:

Keystone Law Group plc
James Knight, Chief Executive Officer
Ashley Miller, Finance Director
www.keystonelaw.com
+44 (0) 20 3319 3700

Panmure Gordon (UK) Limited (Nominated Adviser and Joint Broker)
Dominic Morley (Corporate Finance)
Rupert Dearden (Corporate Broking)
www.panmure.com
+44 (0) 20 7886 2500

Investec Bank plc (Joint Broker)
Carlton Nelson
James Rudd
www.investec.co.uk
+44 (0) 20 7597 5970

Vigo Consulting (Financial Public Relations)
Jeremy Garcia / Charlie Neish / Kate Kilgallen
keystonelaw@vigoconsulting.com
+44 (0)207 390 0233

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").

Notes to editors

Keystone (AIM: KEYS), is an award-winning, UK Top 100, law firm, providing conventional legal services in a £10bn addressable market through its scalable and unique model, with three defining characteristics:

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

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

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

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

CHAIRMAN'S STATEMENT

I am pleased to introduce Keystone Law's results for the year ended 31 January 2023.

Keystone has continued to perform well, delivering another strong set of financial results with revenue growing 8.1% to £75.3m (2022: £69.6m), and adjusted PBT[1] increasing to £9.2m representing an adjusted PBT margin of 12.3% (2022: £9.1m, 13.0%,having benefitted from cost savings of c£0.4m). Cash generation, a key feature of the business model, has remained strong, with cash generated from operations of £9.3m (2022: £10.0m) representing an operating cash conversion of 96.5% (2022: 102.7%).

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

DIVIDEND

In accordance with the Group's established dividend policy, the Board is proposing to pay a final ordinary dividend for the year ended 31 January 2023 of 10.9p per share (2022: 11.2p), bringing the total ordinary dividend for the year to 16.1p (2022: 15.7p).

OUR PEOPLE

On behalf of the Board, I would like to thank all of our Central Office team for their constant efforts. Their professionalism and commitment underpins the success of Keystone and, during the year, we have continued to invest in the team to ensure that the highest standards of professional support which we provide to our lawyers is maintained as we grow. In a period of such high demand for legal services, it is, of course, the efforts of our lawyers which have contributed strongly to these results and we also thank them for their ongoing commitment and dedication to their clients.

BOARD AND GOVERNANCE

The Board has continued to operate within the structures and governance requirements of the Quoted Companies Alliance ("QCA") Code as set out in the corporate governance section of the annual report.

Simon Philips has now been on the Board for over eight years, having joined in October 2014, when Root Capital (later rebranded ScaleUp Capital) invested in Keystone and, as recently announced, he has decided to step down following the announcement of these results.

Salar Farzad has recently been appointed to the Board as Non-executive Director, serving as a member of the various committees of the Board, and, following Simon's resignation, he will assume the role of Chair of the Audit Committee.

On behalf of the Board, I would like to express my thanks to Simon for the significant contribution he has made during his tenure and to welcome Salar to the Board.

OUTLOOK

I am pleased to say that the current year has started well. Although the outlook for the UK economy remains somewhat uncertain, we are confident that Keystone will continue to grow and carry on delivering strong results.

Robin Williams
Non-executive Chairman
24 April 2023

CHIEF EXECUTIVE'S REVIEW

INTRODUCTION AND HIGHLIGHTS

I am very pleased to be able to report another strong set of results for Keystone.

2023 has been a second consecutive year of strong client demand across the legal industry and our lawyers have taken full advantage of this situation to help drive increased revenue per Principal, thereby ensuring that Group revenue has increased by 8.1% to £75.3m (2022: £69.6m), whilst adjusted PBT increased to £9.2m (2022: £9.1m, having benefitted from cost savings resulting from the Covid-19 restrictions preventing face to face activities (PBT £8.3m, 2022: £8.3m)). The cash generative nature of the model has continued strongly, with cash generated from operations of £9.3m (2022: £10.0m), leaving the business with a closing cash balance of £9.2m.

Despite the very competitive legal recruitment market, we have ended the year with 398 Principals* (2022: 394) and a total of 507 fee earners (2022: 481).

** 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 is 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 interviewed and fully vetted by the recruitment team in central office to ensure that they are of the requisite quality and calibre. As is the case for the Principal lawyers, these juniors sign a compliance agreement with Keystone and are required to comply with all rules and regulations governing the professional conduct of Keystone's lawyers.*

THE RETURN OF FACE-TO-FACE NETWORKING

It has been a great benefit that we have been able to resume our programme of face-to-face networking and social events for our lawyers and clients this year. During lockdown, we had been unable to deliver a full programme of such events, and, whilst we had successfully used technology to meet many of the needs that in person events engender, there can be no doubt that the full potential of these activities is best achieved when people are physically together.

The Keystone events programme forms an essential part of our DNA, providing opportunities for our lawyers to come together to build and develop the bonds of collegiality and friendship, which enhance both the professional and personal experience of those working at Keystone.

The intangible value of our culture is essential in attracting and retaining high-calibre lawyers seeking to build and develop their practices, whilst benefitting from the positive impact on their lives that working in such an environment has; it is one of the main reasons why our lawyers are so evangelical about Keystone. The culture is a living and breathing facet of the business, which we nurture and grow, and the events provide the forum for our lawyers to experience this first-hand, whilst themselves contributing to its continuing growth.

The events address a multitude of professional and personal needs for our lawyers, ensuring that they know their colleagues extremely well, fomenting an environment in which work is cross-referred. Multi-lawyer and multi-disciplinary teams come together to work harmoniously to fulfil the needs of our clients, something which is demonstrated by the fact that over 30% of work is cross-referred.

HIGHLY COMPETITIVE LEGAL RECRUITMENT MARKET

Our strategy remains clear and simple: to drive growth organically through recruitment of high-calibre lawyers from across the mid-market segment of the UK legal services industry, whilst supporting those who join us to build and develop their practice, enabling them to focus exclusively on client development and legal work.

This year, client demand across the legal industry has remained strong and the most apparent impact of this has been the increased revenue per Principal (£190.0k, 2022: £182.5k), which has been the key driver of our revenue growth. This demand has also impacted the legal recruitment market on both the demand and the supply sides. On the demand side, most law firms across the sector have been actively recruiting in order to fulfil the client demand, which has led to significant wage inflation as firms have competed for talent by offering substantial pay packages. This, in turn, has created a candidate led market, where the balance of power has shifted towards employed lawyers who are presented with a variety of options forcing law firms to be more aggressive when it comes to retaining lawyers by actively buying candidates back in.

On the supply side, many of the push factors, which in normal times cause lawyers to seek change, have been absent. The significant demand has meant that lawyers have had less difficulty in hitting targets, wage inflation has meant that they are better rewarded for the work they do, and, with the balance of power in their favour rather than the employers, they have been able to avoid politics and resist pressures to return to offices which would otherwise, probably, have been brought to bear. Whilst it is very difficult to predict timing, we do not believe that these factors will continue indefinitely.

Overlaid onto these factors, the instability in the UK macroeconomic climate created an environment in which candidates were less likely to seek change and this also impacted candidate flow during the second half of the year.

Throughout this, Keystone has remained an attractive and competitive proposition for potential candidates, having received 232 qualified applicants in the period (2022: 228) and made offers to 79 candidates (2022: 76) with 42 candidates accepting offers (2022: 56).

CONTINUING INVESTMENT IN IT

It has been another busy year for the team as they have worked to deliver continual functional improvements and operational enhancements across our proprietary software platform ("Keyed-In) and the wider IT estate.

Over and above the day-to-day enhancements and improvements, the team also delivered some larger projects focused on the simplification and automation of tools used by our lawyers in their marketing initiatives. This included designing and building a proprietary pitch creation tool so that lawyers can prepare highly professional, effective and personalised pitches quickly and easily. Another project was the development of a bespoke tool to drive greater operational efficiency into the process of preparing and submitting applications to the legal directories, a project which was nominated for Best Use of Technology in the Modern Law Awards.

OUR CENTRAL OFFICE TEAM BENEFIT FROM ONGOING HOME WORKING

As always, the Central Office team has provided outstanding support to our lawyers throughout the year. This support, and the manner in which is delivered, is another key tenet of Keystone's success. The team is committed to providing excellent service to our lawyers, whom we consider, in many ways, to be our clients, such that the service delivery ethos is second to none. This dynamic is radically different to that experienced by many lawyers in conventional law firms and is another feature of the Keystone model which attracts and retains our lawyers.

LOOKING AHEAD

The Group has made a positive start to the year as our lawyers have remained busy meeting client demand. Conditions in the recruitment market have started to change, with demand for lawyers falling from the extremely high levels experienced last year. On the supply side, the market remains tight as candidates continue to be cautious and those push factors, which generally encourage increased movement, are yet to have a significant impact. We believe, that as the year progresses, demand on the recruitment front will continue to tighten and we will see an increased candidate flow, which will further help Keystone grow its Principal numbers. Overall, we are confident that 2024 will be another good year for Keystone.

James Knight
Chief Executive
24 April 2023

FINANCIAL REVIEW AND STRATEGIC REPORT

KEY PERFORMANCE INDICATORS (KPIs)

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

- Revenue growth: 8.1% increase (2022: 26.5%)
- Adjusted PBT growth: 1.1% increase (2022: 52.3%)
- Adjusted PBT margin: 12.3% (2022: 13.0%)
- PBT growth: 0.3% increase (2022: 54.7%)
- PBT margin: 11.1% (2022: 12.0%)
- Adjusted basic EPS: 24.2p (2022: 23.6p)
- Operating cash conversion %(1): 96.5% (2022: 102.7%)
- Trade debtor days: 36 (2022: 32)
- Qualified New Applicants(2): 232 (2022: 228)
- Offers Made(2): 79 (2022: 76)
- Offers Accepted(2): 42 (2022: 56)

(1) Operating cash conversion is calculated utilising cash generated from operations and dividing it by the PBT before non-cash movements and net interest.

(2) Non-financial KPIs are commented on with the Chief Executive's review .

The calculation of adjusted PBT, adjusted PBT margin and adjusted EPS is shown below.

INCOME STATEMENT

I am pleased to report revenue for the year of £75.3m, an increase of 8.1% on the prior year. Our lawyers have taken full advantage of the continued strong client demand across the legal industry to drive revenue per Principal up by 4.1% to £190k (2022: £182.5k), whilst the average number of Principals increased from 381.5 to 396.

GROSS PROFIT

The gross profit of the business has risen this year by 6.4% to £19.6m (2022: £18.4m), with a gross profit margin of 26.0% (2022: 26.4%). The increased profit has been driven by the strong demand across the business driving additional revenue, which has been concentrated, marginally, more within our lawyers' Pods this year, such that we have benefitted from a slightly less enhanced margin from our centrally employed lawyers.

ADMINISTRATIVE EXPENSES

Administrative expenses have increased by 14% to £9.9m (2022: £8.7m). Staff costs, excluding the cost of NIC on LTIP awards (2023: £75k, 2022: £236k), increased by 14.2% to £4.2m (2022: £3.7m), with average headcount increasing from 53 to 59 as we have continued to invest in our people to provide our lawyers with the highest standards of support, which they expect. Other administrative costs increased by 17.9% to £5.7m (2022: £4.8m). The 2022 cost base had benefitted by approximately £0.4m due to the combined impact of savings generated by not running the majority of in person networking events as well as incurring a lower professional indemnity insurance premium in the period, as these policies are priced against the turnover of the previous period, i.e. year ended 31 January 2021, during which revenue was adversely impacted due to Covid-19. Much of the remaining increase in the other administrative expenses this year has resulted from the implementation, during 2022, of new software tools to provide enhanced IT security, which fully impacted the cost base of the business during 2023.

OTHER COSTS

Amortisation, both of right of use assets and intangible assets, remained unchanged year on year with no changes to the underlying assets, whilst depreciation increased by 6.6%. The charge in respect of share based payments increased from £0.4m to £0.5m. The increases to interest rates, having been close to nil last year, have meant that we have seen relatively significant increases to both finance income and finance costs this year.

PBT, ADJUSTED PBT AND PBT MARGINS

Adjusted PBT is calculated as follows:

	2023	2022
	£	£
Profit before tax	**8,384,677**	8,363,199
Amortisation of intangible assets	**350,884**	350,884
Share based payments	**502,708**	369,796
Adjusted PBT	**9,238,269**	9,083,879
PBT Margin	11.1%	12.0%
Adjusted PBT Margin	12.3%	13.0%

As mentioned above, profits in 2022 were enhanced by approximately £0.4m as other administrative expenses were artificially reduced by impacts of Covid-19 and related restrictions. Accordingly, had the cost base in 2022 not benefitted from this then, PBT would have been c.£8.7m and the underlying adjusted PBT would have increased by 6.3% (underlying PBT 5.3%). On this basis, PBT margin would have been c.11.4% and the adjusted PBT margin would have been c.12.5% with the slight decline this year being the result of a slightly lower gross profit margin.

TAXATION

The effective tax rate of 19.7% is higher than the standard rate and lower than that of the prior year (20.5%). 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 effective tax rate has reduced because the July 2018 LTIP award vested creating a tax deductible charge, whereas the accounting share based payment charge was non-deductible.

EARNINGS PER SHARE

Basic earnings per share increased from 21.3p to 21.5p, with fully diluted EPS being 21.2p (2022: 21.0p). Adjusted basic earnings per share (calculated by making the same adjustments to earnings as have been made in calculating adjusted PBT and divided by the average shares in issue this year) increased to 24.2p (2022: 23.6p).

STATEMENT OF FINANCIAL POSITION

CASH

The Group's business model is strongly cash generative because its most significant cost, the fees paid to lawyers, is only paid once Keystone has been paid for the work it has delivered. Operating cash conversion, which had been particularly strong in 2022, has remained strong this year at 96.5% (2022: 102.7%), generating cash from operations of £9.3m (2022: £10.0m). Capital expenditure was £0.06m (2022: £0.04m). Corporation tax payments increased to £2.0m (2022: £1.5m), reflecting the increase in profits in 2022 compared to 2021 (corporation tax is paid in quarterly instalments with half being due after the financial year end). The increase in interest rates has manifested itself in the increased value of net interest received (excluding the interest portion of lease payments) of £0.1m (2022: £0.01m net interest paid). Lease repayments of £0.5m (2022: £0.4m) reflect the normal run rate of payments under our existing leases which run until April 2024. As such, cash generated by the business in the year, being net cash flow pre dividend payments, was £6.9m (2022: £7.8m). The Group paid dividends of £8.3m, £5.2m in respect of Ordinary dividends and £3.1m as a Special dividend (2022: £4.7m Ordinary dividend). This left closing cash of £9.2m (2022: £10.5m) and no debt.

NET ASSETS

The Group's balance sheet is extremely strong with net assets having decreased from £18.9m to £17.9m by virtue of retained earnings of £7.5m, dividends paid of £8.3m and £0.2m movement in reserves to account for the vesting of LTIP awards.

SECTION 172 COMPANIES ACT STATEMENT

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

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

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

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

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

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

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

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

DIVIDEND

The Board is proposing to pay a final ordinary dividend for the year ended 31 January 2023 of 10.9p per share (2022: 11.2p). This brings the total ordinary dividend for the year to 16.1p per share (2022: 15.7p per share). Subject to approval at the Annual General Meeting, the final dividend will be paid on 7 July 2023 to shareholders on the register at the close of business on 16 June 2023.

The cash value of dividends paid this year of £8.3m includes £3.1m of Special dividend.

On behalf of the Board

Ashley Miller
Finance Director
24 April 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 JANUARY 2023

	Note	**2023**	2022
		£	£
Revenue		**75,259,930**	69,615,770
Cost of sales		**(55,686,460)**	(51,216,643)
Gross profit		**19,573,470**	18,399,127
Depreciation and amortisation	3	**(885,699)**	(877,991)
Share based payments	3	**(502,708)**	(369,796)
Other administrative expenses	3	**(9,927,058)**	(8,706,591)
Other operating income		**51,951**	6,334
Operating profit		**8,309,956**	8,451,083
Finance income	4	**221,810**	7,511
Financing costs	4	**(147,089)**	(95,395)
Profit before tax		**8,384,677**	8,363,199
Corporation tax		**(1,650,968)**	(1,713,566)
Profit and total comprehensive income for the year attributable to equity holders of the Parent		**6,733,709**	6,649,633
Basic EPS (p)	6	**21.5**	21.3
Diluted EPS (p)	6	**21.2**	21.0

The above results were derived from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY 2023

	Note	**2023** £	2022 £
Assets			
Non-current assets			
Property, plant and equipment			
Owned assets		**187,677**	247,551
Right-of-use assets		**513,577**	924,437
Total property, plant and equipment		**701,254**	1,171,988
Intangible assets		**5,406,838**	5,757,722
Other non-current assets		**13,628**	13,628
		6,121,720	6,943,338
Current assets			
Trade and other receivables	7	**22,605,908**	19,973,814
Cash and cash equivalents		**9,151,875**	10,482,676
		31,757,783	30,456,490
Total assets		**37,879,503**	37,399,828
Equity and liabilities			
Equity			
Share capital		**62,732**	62,548
Share premium		**9,920,760**	9,920,760
Share based payments reserve		**1,028,247**	749,958
Retained earnings		**6,847,378**	8,150,365
Equity attributable to equity holders of the Parent		**17,859,117**	18,883,631
Non-current liabilities			
Lease liabilities	8	**109,484**	571,730
Deferred tax liabilities		**132,432**	202,610
Provisions		**183,501**	107,945
		425,417	882,285
Current liabilities			
Trade and other payables	8	**18,347,358**	16,143,166
Lease liabilities	8	**538,544**	538,544
Corporation tax liability		**709,067**	952,202
		19,594,969	17,633,912
Total liabilities		**20,020,386**	18,516,197
Total equity and liabilities		**37,879,503**	37,399,828

Ashley Miller
Director
24 April 2023

Keystone Law Group Plc

Registered No. 09038082

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JANUARY 2023

	Attributable to equity holders of the Parent				
	Share capital	**Share premium**	**Share based payments reserve**	**Retained earnings**	**Total**
	£	**£**	**£**	**£**	**£**
At 31 January 2021	62,548	9,920,760	380,162	6,223,096	16,586,566
Profit for the year and total comprehensive income	–	–	–	6,649,633	6,649,633
Transactions with owners					
Dividends paid in the year	–	–	–	(4,722,364)	(4,722,364)
Share based payments	–	–	369,796	–	369,796
At 31 January 2022	62,548	9,920,760	749,958	8,150,365	18,883,631
Profit for the year and total comprehensive income	–	–	–	6,733,709	6,733,709
Transactions with owners					
Dividends paid in the year	–	–	–	(8,261,115)	(8,261,115)
Share based payments vesting	184	–	(224,419)	224,419	184
Share based payment awards	–	–	502,708	–	502,708
At 31 January 2023	**62,732**	**9,920,760**	**1,028,247**	**6,847,378**	**17,859,117**

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 JANUARY 2023

	Note	**2023**	2022
		£	£
Cash flows from operating activities			
Profit before tax		**8,384,677**	8,363,199
Adjustments			
Depreciation and amortisation	3	**885,699**	877,991
Share based payments	3	**502,708**	369,796
Finance income	4	**(221,810)**	(7,511)
Financing costs	4	**147,089**	95,395
		9,698,363	9,698,870
Working capital adjustments			
Increase in trade and other receivables		**(2,632,094)**	(1,865,516)
Increase in trade and other payables		**2,204,192**	2,110,824
Increase in provisions		**75,556**	6,517
Cash generated from operations		**9,346,017**	9,950,695
Interest paid		**(70,791)**	(104)
Interest portion of lease liability		**(76,298)**	(95,291)
Corporation taxes paid		**(1,964,281)**	(1,545,956)
Cash generated from operating activities		**7,234,647**	8,309,344
Cash flows from/(used in) investing activities			
Interest received		**221,810**	7,511
Purchases of property, plant and equipment		**(64,080)**	(39,858)
Net cash used in investing activities		**157,730**	(32,347)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**184**	–
Lease repayments		**(462,247)**	(443,257)
Dividends paid in year		**(8,261,115)**	(4,722,364)
Net cash used in financing activities		**(8,723,178)**	(5,165,621)
Net (decrease)/increase in cash and cash equivalents		**(1,330,801)**	3,111,376
Cash at 1 February		**10,482,676**	7,371,300
Cash at 31 January		**9,151,875**	10,482,676

Notes to the Financial Statements

1. GENERAL INFORMATION

The Company was incorporated as Keystone Law Group Limited on 13 May 2014 under the Companies Act 2006 (registration no. 09038082) and subsequently used as the vehicle to acquire Keystone Law Limited (the main trading company in the Group) and its subsidiaries on 17 October 2014. The Company was re-registered as a Public Limited Company limited by shares on 10 November 2017. The Company was incorporated and is domiciled in England and Wales. The principal activity of the Group is the provision of legal services.

The address of its registered office is:

48 Chancery Lane
London
WC2A 1JF

The preliminary announcement is presented in Pounds Sterling, being the functional currency of the companies within the Group.

2. ACCOUNTING POLICIES

BASIS OF PREPARATION

The preparation of Financial Statements, in conformity with UK-adopted International Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

BASIS OF CONSOLIDATION

The preliminary announcement does not constitute full financial statements for the years ended 31 January 2023 or 2022.

The annual audited financial statements of the Group for the year ended 31 January 2023 have been prepared in accordance with UK adopted International Accounting Standards. This preliminary financial information has been prepared on the same basis as the accounting policies adopted in those accounts but does not include all the disclosures required in financial statements prepared in accordance with UK adopted International Accounting Standards and accordingly does not itself comply with UK adopted International Accounting Standards.

The results for the year ended 31 January 2023 included in this preliminary announcement are extracted from the audited financial statements for the year ended 31 January 2023 which were approved by the Directors on 24 April 2023. 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 2023 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 4 July 2023. The financial statements for the year ended 31 January 2023 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 2022 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 2022 have been delivered to the Registrar of Companies

GOING CONCERN

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

ADJUSTED PROFIT BEFORE TAX ("PBT")

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

	2023	2022
	£	£
Profit before tax	**8,384,677**	8,363,199
Amortisation	**350,884**	350,884
Share based payments	**502,708**	369,796
Adjusted PBT	**9,238,269**	9,083,879

3. EXPENSES BY NATURE

Expenses are comprised of:

	2023	2022
	£	£
Depreciation	**123,955**	116,247
Amortisation – intangible assets	**350,884**	350,884
Amortisation – right of use assets	**410,860**	410,860
Share based payments	**502,708**	369,796
Staff costs	**5,102,472**	4,502,652
Other administrative expenses	**5,676,239**	4,814,546
	12,167,118	10,564,985

Included within staff costs above are the costs of employed fee earners who are included within cost of sales (2023: £851,653, 2022: £610,607).

4. FINANCE INCOME AND COSTS

	2023	2022
	£	£
Finance income		
Interest income on bank deposits	**221,810**	7,511
Finance costs		
Interest on client monies held	**(70,791)**	(104)
Interest on leases for own use	**(76,298)**	(95,291)
Total finance costs	**(147,089)**	(95,395)
Net finance income/(costs)	**74,721**	(87,884)

5. STAFF COSTS

The aggregate payroll costs (including Directors' remuneration but excluding share based payment charges disclosed separately in note 5) were as follows:

	2023	2022
	£	£
Wages and salaries	**4,347,674**	3,712,410
Social security costs	**579,237**	642,722
Pension costs, defined contribution scheme	**175,561**	147,520
	5,102,472	4,502,652

Included within the social security costs above is an amount of £74,626 (2022: £235,702) in respect of employer's national insurance contributions which will be payable in respect of shares granted under the Group's LTIP scheme.

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

	2023	2022
	£	£
Fee Earners	12	10
Administration and support	59	53
Total	71	63

6. EARNINGS PER SHARE

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

	2023	2022
	£	£
Profit attributable to owners of the Parent	**6,733,709**	6,649,633
Amortisation	**350,844**	350,844
Share based payments	**502,708**	369,796
Adjusted earnings	**7,587,301**	7,370,273

	2023	2022
	No of shares	No of shares
Weighted average number of shares		
For basic earnings per share	**31,307,540**	31,273,941
Dilutive effect of grants under LTIP	**472,211**	367,371
For diluted earnings per share	**31,779,752**	31,641,312
Basic earnings per share (p)	**21.5**	21.3
Diluted earnings per share (p)	**21.2**	21.0
Adjusted basic earnings per share (p)	**24.2**	23.6

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

7. TRADE AND OTHER RECEIVABLES

	Group	
	2023	2022
	£	£
Trade receivables	**13,285,914**	12,266,858
Provision for impairment of trade receivables	**(4,114,670)**	(4,082,672)
Net trade receivables	**9,171,244**	8,184,186
Receivables from related parties	**–**	–
Accrued income	**10,030,078**	8,680,475
Prepayments	**2,271,739**	1,823,118
Unbilled disbursements	**970,078**	1,109,691
Other receivables	**162,769**	176,344
Total current trade and other receivables	**22,605,908**	19,973,814

The fair value of those trade and other receivables classified as financial instruments are disclosed in the financial instruments note 27.

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

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

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

	2023 Gross	2023 Provision	2023 Expected Loss Rate	2022 Gross	2022 Provision	2022 Expected Loss Rate
	£	£	%	£	£	%
0 to 30 days	**4,982,633**	**–**	**–**	4,683,432	10,258	0.2
31 to 60 days	**2,096,401**	**–**	**–**	1,585,671	59,002	3.7
61 to 90 days	**1,029,435**	**–**	**–**	1,059,987	37,349	3.5
91 to 120 days	**781,767**	**2,904**	**0.4**	659,660	199,882	30.3
4 to 6 months	**367,305**	**131,825**	**35.9**	430,269	39,543	9.2
6 months to 1 year	**2,146,285**	**2,097,853**	**97.7**	1,662,321	1,551,121	93.3
Over 1 year	**1,882,088**	**1,882,088**	**100.0**	2,185,517	2,185,517	100.0
	13,285,914	**4,114,670**	**31.0**	12,266,858	4,082,672	33.3

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

The movement in the provision for impairment of trade receivables was as follows:

	2023	2022
Balance at 1 February	**4,082,672**	2,976,731
Charge for the year	**1,146,978**	1,518,431
Amounts written off	**(1,113,980)**	(412,490)
Balance at 31 January	**4,114,670**	4,082,672

8. TRADE AND OTHER PAYABLES

	Company		Group	
	2023	2022	**2023**	2022
	£	£	**£**	£
Trade payables	**–**	–	**8,466,313**	7,484,190
Accrued expenses	**49,599**	35,751	**9,462,974**	8,309,204
Social security and other taxes	**–**	–	**418,071**	349,772
Total trade and other payables	**49,599**	35,751	**18,347,358**	16,143,166

Included within the above accrued expenses is the liability for lawyer fees associated with the accrued income (2023: £7,435,836; 2022: £6,441,299).

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

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

FINANCIAL LIABILITIES

	0 to 6 months	7 to 12 months	1 to 5 years	Pay when paid	Total
	£	£	£	£	£
Trade payables	89,574	615,709	–	7,761,030	**8,466,313**
Accrued expenses	1,384,052	643,086	–	7,435,836	**9,462,974**
Lease Liabilities	269,272	269,272	109,538	–	**648,082**
At 31 January 2023	**1,742,898**	**1,528,067**	**109,538**	**15,196,866**	**18,577,369**

	0 to 6 months	7 to 12 months	1 to 5 years	Pay when paid	Total
	£	£	£	£	£
Trade payables	107,942	464,067	–	6,912,181	**7,484,190**
Accrued expenses	1,237,203	630,702	–	6,441,299	**8,309,204**
Lease Liabilities	277,186	278,769	690,430	–	**1,246,385**
At 31 January 2022	**1,622,331**	**1,373,538**	**690,430**	**13,353,480**	**17,039,779**

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 amounts payable to third party counsel and experts whose fees have been incurred on behalf of the Group's clients as disbursements. Lease liabilities are shown at their undiscounted value.