

1 May 2025

KEYSTONE LAW GROUP

Keystone Law Group Plc

(‘Keystone’, the ‘Group’ or the ‘Company’)

Full Year Results for the Year Ended 31 January 2025

- Revenue and profit in line with recently upgraded expectations⁽¹⁾

*- Recruitment conditions remained positive during 2025, with Keystone adding 50 new Principals, alongside organic growth in pods
- Proposed special dividend of 15p, reflecting balance sheet strength and continuing confidence in the outlook*

Keystone, the tech-enabled platform law firm, is pleased to announce its full year results for the year ended 31 January 2025 (‘2025’ or the ‘Period’).

Financial Highlights:

- Revenue growth of 11.1% to £97.7 million (2024: £87.9 million)
- Revenue per Principal up 4% to £220k (2024: £212k)
- Adjusted PBT up 12.8% to £12.7 million (2024: £11.3 million) representing an adjusted PBT margin of 13.0% (2024: 12.8%)
- Adjusted basic EPS of 30.4p (2024: 27.4p)
- Cash generated from operations up 10.3% to £11.5 million (2024: £10.4 million) with operating cash conversion of 94.5% (2024: 96.1%); the Group retains a strong balance sheet with net cash of £9.7 million (2024: £8.4 million)
- Paid interim ordinary dividend of 6.2p per share and proposed final ordinary dividend of 14.0p per share bringing total ordinary dividend per share to 20.2p per share (2024: 18.3p)
- Proposed special dividend of 15.0p per share

Operational Highlights:

- Another positive performance with strong client demand across practice areas
- Keystone continues to capitalise on favourable recruitment market conditions with 283 new applicants in the Period (2024: 270)
- Added 50 high-calibre new Principals in the Period bringing total Principals to 455 (2024: 432)
- Ongoing organic growth in Pods with total Pod members increasing to 108 (2024: 102) and total fee earners growing to 576 (2024: 549)
- Quality focused recruitment strategy continues to reinforce Keystone as ‘the premier platform law firm’
 - 207 Keystone lawyers ranked in Legal 500 UK Solicitors 2025
 - Over 25% of new joiners coming from the UK office of a large US firm or top 25 UK law firm
- Delivered extensive office fit out providing a modern working environment to satisfy the varied needs of our people; fostering greater in person collaboration, in addition to aiding recruitment and retention of talent
- Ongoing investment in IT infrastructure, enhancing resilience, security and scalability whilst assessing rapidly changing AI landscape to identify how this may best be applied to deliver operational efficiencies across the business

Current Trading and Outlook:

- The Group has made a positive start to 2026 with client demand and recruitment activity remaining positive during Q1 2026
- The Board remains confident that Keystone will continue to deliver strong, sustainable growth and expects results for 2026 to be in line with current market expectations⁽²⁾

⁽¹⁾ Management understand current market expectations for 2025 to be: revenue £97.5m and adjusted PBT £12.5m.

⁽²⁾ Management understand current market expectations for 2026 to be: revenue £103.4m and adjusted PBT £12.8m.

James Knight, Chief Executive Officer of Keystone, commented:

“I have been extremely pleased with Keystone’s performance over the last financial year. Our quality focused recruitment strategy continues to pay dividends, making Keystone the premier platform law firm and the stand-out choice for the high-calibre talent we wish to attract and retain.

“Our focus on the delivery of excellence across the business continues to underpin our growth aspirations, alongside our commitment to maintaining our progressive dividend policy, which has now seen us return over £45 million to shareholders since our IPO in 2017.”

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Keystone Law Group plc

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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").

Notes to editors

Keystone (AIM: KEYS) is a highly scalable, premier tech-enabled platform law firm. Ranked within the UK Top 100 law firms, providing conventional legal services in a £12bn addressable market through its differentiated platform model which has 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 over 450 high calibre self-employed Principal lawyers who work from their own offices.

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 2025.

It has been another good year for the business, with sustained client demand and a return to recruitment levels last seen pre pandemic. The Group has delivered a strong set of financial results with revenue growing 11.1% to £97.7m (2024: £87.9m), and adjusted PBT⁽¹⁾ increasing to £12.7m representing an adjusted PBT margin of 13.0% (2024: £11.3m, 12.8%) (PBT of £11.7m (2024: £10.3m) and PBT margin of 12% (2024: 11.7%)). These results reflect the continued strength of the broad-based demand for our services as well as the ongoing growth of the firm, as well as the higher interest rates and strength of our balance sheet in this Period. The cash generative nature of the business model has meant that these profits have converted strongly to cash, demonstrating the quality of earnings that Keystone delivers.

DIVIDEND

At this time, in recognition of the strength of the balance sheet, we are proposing to pay both a final ordinary dividend of 14.0p and a special dividend of 15.0p. This will bring the total value of dividends paid since IPO to just over £45m, or equivalent to just over 145p⁽²⁾ per share, which is 96% of the adjusted earnings generated by the business over the same period.

Having paid an ordinary interim dividend of 6.2p (2024: 5.8p) this will bring the total ordinary dividend for the year to 20.2p (2024: 18.3p).

OUR PEOPLE AND CULTURE

Our focus on excellence pervades all aspects of the business, creating the positive, supportive and inclusive environment in which our people are able to thrive. This creates an atmosphere in which people flourish, encouraging them to act as ambassadors for the Keystone community. We are, rightly, proud of this culture and invest heavily in it, working tirelessly to continue to build on this strong foundation to ensure its long-term sustainability.

THE CENTRAL OFFICE TEAM

The central office team provides the full range of support and infrastructure that our lawyers need, leaving them free to focus on the work which they enjoy: growing their practices and delivering legal advice to clients. We thank the team for their continued hard work, skill and dedication throughout the year and continue to invest across the business to ensure that we maintain the level of talent necessary to support the growth in volume and sophistication of the work our lawyers advise on.

BOARD AND GOVERNANCE

The Board has continued to operate within the structures and governance requirements of the Quoted Companies Alliance ("QCA") Code 2018 as set out in the corporate governance section. In November 2023, the QCA issued a revised code which is to apply to financial years starting on or after 1 April 2024. As announced last year, we have been moving to adopt the new requirements of the latest code ahead of that timeline and following last year's decision to implement annual re-election of all Directors, this year we have chosen to disclose our remuneration policy in the Annual Report and Accounts. This forms part of the Group's remuneration report which, in early adoption of the 2023 QCA code, will be placed before shareholders at our coming AGM for an advisory vote.

OUTLOOK

I am pleased to say that 2026 has started well with good levels of activity providing us with confidence in the year ahead.

Robin Williams

Non-executive Chairman

30 April 2025

⁽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

⁽²⁾ Sum of the Ordinary DPS paid for the years ended 31 January 2019 to 31 January 2025, together with the special dividends, DPS paid and proposed to date.

CHIEF EXECUTIVE'S REVIEW

INTRODUCTION AND HIGHLIGHTS

I am delighted to report that Keystone has had another excellent year. The quality of our lawyers, with their extensive range of knowledge and experience, ensures the delivery of excellent legal advice to our clients, driving growth whilst enhancing the brand and reputation of the business across the legal sector. This growing reputation for first class legal work is the core of our success, it is fundamental to client acquisition and retention and essential in attracting new lawyers to join Keystone, underpinning our long term, sustainable growth.

This year, client demand has remained strong across practice areas and this, together with the impact of the new Principals⁽¹⁾ who have joined us, has delivered strong growth. Revenue has increased by 11.1% to £97.7m (2024: £87.9m), whilst adjusted PBT increased to £12.7m (2024: £11.3m) (PBT of £11.7m (2024: £10.3m) and PBT margin of 12.0% (2024: 11.7%)). Cash flow has, as always, been strong; guaranteed by the nature of our model and ensures that these profits have converted to cash, with cash generated from operations of £11.5m (2024: £10.4m).

Conditions in the recruitment market have remained positive for Keystone and it has been a pleasure to welcome a further 50 excellent new Principals this year (2024: 51).

ASPIRING TO EXCELLENCE UNDERPINS LONG-TERM SUSTAINABLE GROWTH

By aspiring to excellence in everything we do, we continue to drive the business forwards, delivering long-term sustainable growth. This ethos permeates all decisions we make, whether that be in the recruitment of new Principals and the vetting of pod members or the standard of service delivery we expect both from our central office team to our lawyers and from our lawyers to our clients.

It was in this pursuance of excellence that we decided to refit our offices in Chancery Lane this year. The successful transition to remote working by our central office teams enabled us to retain the same office footprint when renewing our leases. However, changes in working habits, both of the central office and our lawyers, meant that the design and layout of these offices no longer lived up to our exceedingly high standards. As such, we decided to take advantage of the lease renewal to rectify this situation. Working with professionals in the sector and taking into consideration the feedback of the relevant stakeholders, we developed a new, modern design, encompassing the varied elements needed to provide a first-class working environment to match the levels of excellence delivered across Keystone. Following the successful delivery of the project, we are now able to fully satisfy the varied needs of our people, whether that be conventional desk space for quiet working, booths for confidential online meetings, areas designed for more interactive group working or relaxed social interaction, as well as highly professional client meeting rooms. I am delighted with the success of the project which I believe further enhances the appeal of Keystone to both new lawyers and central office staff aiding in the recruitment and retention of the talent we need to continue to drive the business forwards.

RECRUITMENT MARKET CONDITIONS REMAIN POSITIVE

Overall, recruitment market conditions have remained positive throughout 2025, with the momentum gained last year persisting through this year, in spite of the political and economic uncertainty mid-year caused by the change in government. Against this backdrop, the activity levels and results delivered have been very pleasing.

During the Period we received 283 qualified applicants (2024: 270), made offers to 95 candidates (2024: 103) with 52 candidates accepting offers (2024: 68), whilst welcoming 50 new joiners (2024: 51). This meant that we have ended the year with 455 Principals (2024: 432). Our Principals have also continued to drive growth by recruiting into their pods and as such we have ended the Period with 108 pod members (2024: 102), which, together with our central office lawyers brings the total number of fee earners to 576 (2024: 549).

The excellent quality of the lawyers now attracted to Keystone is a real testament to the success of our quality-focused recruitment strategy. The success of this strategy is reflected in the number of Keystone lawyers ranked in the leading legal directories, with 207 being recognised in the Legal 500 UK Solicitors 2024 rankings⁽²⁾ (2023: 172 listed up from 65 in 2019). It is by continuing to focus on the calibre of our lawyers that we guarantee the long-term sustainable growth of the business, generating a virtuous circle as high calibre candidates are attracted to join a firm with lawyers who have a similar market presence to their own. As a result of this we now regularly attract lawyers from the very top of the legal profession with over a quarter of the new Principals joining us this year coming from either the UK office of a large US law firm or a top 25 UK law firm⁽³⁾.

EXCELLENCE AT THE HEART OF CENTRAL OFFICE TEAM

The central office team has again had a busy and successful year, providing our lawyers with not only the platform they need to excel, but also the supportive and connected environment for them to do so. The community team has onboarded 50 new Principals this year, supporting them as they transition to their new lives at Keystone. Key to the successful integration of new Principals is the investment made in understanding the unique needs of each lawyer and, using this information to identify and connect them with suitable colleagues with whom they will work well to successfully achieve their mutual objectives. Whilst the ongoing support delivered to all our lawyers ensures that during both the highs and, in some cases, the lows of their professional lives at Keystone, they feel fully supported both technically and, quite often, emotionally as well.

On the IT front, we have successfully migrated a number of our systems from the private cloud to the public cloud - Microsoft Azure. This provides enhanced resilience, security and scalability to our infrastructure. The roll out of a SIEM solution at the end of last financial year has ensured further oversight of the IT security risks, of which we remain ever vigilant. The development of AI and its delivery of real-life solutions within the business remains in its infancy, although the pace of evolution in this area is extremely rapid. As such, we continue to assess how this can best be applied across the business to deliver operational efficiencies for our lawyers as well as our central office team, combining the use of third-party products as well as bespoke development with AI agents.

Across all areas of the central office team we continue to aspire to excellence in the delivery of all elements of support which we provide to our lawyers and I have been very satisfied with the successes achieved by the business this year.

LOOKING AHEAD

The business has made a positive start to the new financial year, with strong client demand across all practice areas and positive recruitment activity. We are confident that we will continue to deliver strong, sustainable growth and achieve results that are in line with market expectations for the coming year.

James Knight
Chief Executive

30 April 2025

⁽¹⁾ 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 ("Pod Member") 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.

⁽²⁾ The Lawyer Survey 2024 ranking by revenue.

⁽³⁾ The Legal 500 UK Solicitors 2025 rankings is the leading guide to law firms and solicitors in the UK (Source: Legal500.com).

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: 11.1% increase (2024: 15.1%)
- Adjusted PBT⁽³⁾ growth: 12.8% increase (2024: 22.0%)
- Adjusted PBT margin⁽³⁾: 13.0% (2024: 12.8%)
- PBT growth: 13.4% increase (2024: 22.9%)
- PBT margin: 12% (2024: 11.7%)
- Adjusted basic EPS: 30.4p (2024: 27.4p)
- Operating cash conversion: 94.5%⁽¹⁾ (2024: 96.1%)
- Trade receivables days: 34 (2024: 34)
- Qualified new applicants⁽²⁾: 283 (2024: 270)
- Offers made⁽²⁾: 95 (2024: 103)
- Offers accepted⁽²⁾: 52 (2024: 68)

⁽¹⁾ Operating cash conversion is calculated utilising cash generated from operations and dividing it by the PBT before non-cash movements and net interest (£12,178,139 per cash flow statement 2025).

⁽²⁾ Non-financial KPIs are commented on with the Chief Executive's review. Recruitment data refers to numbers of potential Principals.

⁽³⁾ The calculation of adjusted PBT, adjusted PBT margin and adjusted EPS is shown on the next page.

INCOME STATEMENT

I am pleased to report revenue for the year of £97.7m, an increase of 11.1% on the prior year. As a business, we have seen broad-based client demand across practice areas this year which has been further enhanced by the additional income generated from the growth in Principal numbers (ending the Period with 455 Principals and averaging 443.5 (2024: ended with 432 and averaged 415). This has enabled revenue per Principal to grow by 4.0% to £220k (2024: £212k).

GROSS PROFIT

The gross profit of the business has risen this year by 11.6% to £25.5m (2024: £22.8m), with gross profit margins remaining largely stable at 26.1% (2024: 26%).

AMORTISATION, DEPRECIATION AND SHARE-BASED PAYMENTS

Amortisation of intangibles has fallen this year as the underlying asset became fully amortised during the year, whilst the commencement of new leases in Chancery Lane resulted in a slight increase in the amortisation of right-of-use assets. Depreciation also saw a marginal decrease this year. The charge in respect of share-based payments increased from £0.6m to £0.8m.

OTHER ADMINISTRATIVE EXPENSES

Other administrative expenses have increased by 11.8% to £12.9m (2024: £11.6m). Staff costs increased by 15% to £5.4m (2024: £4.7m), whilst wage inflation has eased somewhat from the prior year it still remains a feature of the labour market and, as with all businesses, we need to pay a competitive rate in order to attract and retain talent within the business. This, together with the increase in headcount (69 v 2024: 63), as we have continued to invest in supporting our lawyers to the highest standards has driven the increased costs. Other administrative costs (per note 5) increased by 9.5% to £7.5m (2024: £6.9m), with the largest contributory factors to this being investment in IT as we migrated to the public cloud and fully implemented our SIEM solution to enhance security oversight as well as professional indemnity insurance. The IT costs increased by £0.2m, whilst professional indemnity insurance costs have increased by £0.2m driven predominantly by revenue growth as well as the increase in cover from £50m to £60m.

FINANCE INCOME AND COSTS

Interest rates have remained high for most of this Period, only starting to fall late in the year, and as cash positive business we have benefitted from this with our net finance income rising this year to £1.1m (2024: £0.9m).

PBT, ADJUSTED PBT AND PBT MARGINS

Adjusted PBT is calculated as follows:

	2025 £	2024 £
Profit before tax	11,684,999	10,306,331
Amortisation of intangible assets	248,543	350,884
Share-based payments	780,662	610,644
Adjusted PBT	12,714,204	11,267,859
Net finance income	1,111,203	889,204
Adjusted PBIT	11,603,001	10,378,655
PBT margin	12.0%	11.7%
Adjusted PBIT margin	11.9%	11.8%
Adjusted PBT margin	13.0%	12.8%

The Board consider adjusted PBT to be a better measure of performance than PBT as it excludes costs which are either not a result of the underlying performance of the business (as is the case for the amortisation which arose from the structuring of the 2014 private equity investment in the business) or where the cost represents neither a cash impact to the business, nor is it a reflection of the value received by the recipient (as is the case with share-based payment costs).

The growth in revenue and gross profits have driven a 11.8% increase in adjusted PBIT, representing an 11.9% margin, which is largely in line with the prior year (2024: 11.8%). Profit before tax and adjusted profit before tax have increased by 13.4% and 12.8% respectively, with margins also stepping up as the contribution of finance income more than compensated for the change in adjusted PBIT margin.

TAXATION

This year we have continued to feel the impact of the increase in the standard rate of corporation tax from 19% to 25% in April 2023. As a result of this change, the average rate of corporation tax last year was 24%, whilst this year the full impact of this change has taken effect with the standard rate being 25% for the whole Period. The Group's effective rate of corporation tax this year was 26.8% (2024: 25.8%). The effective rate of the Group is always higher than the standard rate due to the level of investment we make in providing networking opportunities in social environments for our lawyers, which are disallowable for corporation tax purposes.

EARNINGS PER SHARE

Basic earnings per share increased from 24.4p to 27.1p, with fully diluted EPS being 23.6p (2024: 23.9p). 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 30.4p (2024: 27.4p).

STATEMENT OF FINANCIAL POSITION

CASH

The strongly cash generative nature of the Group's business model, benefitting as it does from the payments to lawyers in respect of their fees only being paid once Keystone has been paid for the work delivered, has again been demonstrated by its cashflow profile, with operating cash conversion of 94.5% (2024: 96.1%), generating cash from operations of £11.5m (2024: £10.4m). Capital expenditure of £0.8m (2024: £0.07m) was higher than usual this year, reflecting the costs of the office fit out in Chancery Lane. Corporation tax payments increased to £4.4m (2024: £2.2m) as the Group became qualified as "super large" by HMRC, accelerating the quarterly payments such that all corporation tax is now payable within the year. This being a transition year, we have had to pay not only 100% of the corporation tax relating to 2025 but also the remaining half of the tax relating to the prior year, meaning that there has been a one-off additional outflow of c.£1.5m. Sustained high interest rates throughout this year have ensured that net interest received has increased to £1.1m (2024: £0.9m) and the rent-free periods included in the new leases on Chancery Lane caused the reduction in such payments to £0.2m (2024: £0.6m). As such, cash generated by the business in the year, being net cash flow pre dividend payments, was £7.2m (2024: £8.4m). The Group paid dividends of £5.9m in respect of ordinary dividends (2024: £5.3m ordinary dividend and £3.9m special dividend). This left closing cash of £9.7m (2024: £8.4m) and no debt.

NET ASSETS

The Group's balance sheet is extremely strong with net assets having increased from £16.9m to £20.5m by virtue of profit for the year of £8.5m, dividends paid of £5.9m and £0.8m movement in reserves to account for the vesting of LTIP awards.

DIVIDEND

In light of the strength of our balance sheet and our confidence in the future, the Board is proposing to pay a final ordinary dividend for the year ended 31 January 2025 of 14.0p per share (2024: 12.5p) as well as a special dividend of 15.0p. This brings the total ordinary dividend for the year to 20.2p per share (2024: 18.3p per share). Subject to approval at the Annual General Meeting, the final dividend will be paid on 8 July 2025 to shareholders on the register at the close of business on 13 June 2025.

The cash value of dividends paid this year was £5.9m.

On behalf of the Board

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 JANUARY 2025

	Note	2025 £	2024 £
Revenue		97,703,149	87,930,626
Cost of sales		(72,229,270)	(65,101,369)
Gross profit		25,473,879	22,829,257
Trade receivables impairment	8	(1,470,788)	(1,471,291)
Corresponding reduction in trade payables	8	1,065,268	1,088,755
		(405,520)	(382,536)
Depreciation and amortisation	4	(823,681)	(897,814)
Share-based payments	4	(780,662)	(610,644)
Other administrative expenses	4	(12,940,290)	(11,573,319)
Other operating income		50,070	52,183
Operating profit		10,573,796	9,417,127
Finance income	5	1,966,246	1,575,930
Financing costs	5	(855,043)	(686,726)
Profit before tax		11,684,999	10,306,331
Corporation tax		(3,135,226)	(2,656,641)
Profit and total comprehensive income for the year attributable to equity holders of the Parent		8,549,773	7,649,690
Basic EPS (p)	7	27.1	24.4
Diluted EPS (p)	7	26.6	23.9

The above results were derived from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY 2025

	Note	2025 £	2024 £
Assets			
Non-current assets			
Property, plant and equipment			
Owned assets		772,027	120,517
Right-of-use assets		1,973,730	2,428,005
Total property, plant and equipment		2,745,757	2,548,522
Intangible assets		4,807,411	5,055,954
Investments		129,350	129,350
		7,682,518	7,733,826
Current assets			
Trade and other receivables	8	28,325,545	25,194,349
Cash and cash equivalents		9,687,172	8,367,072
		38,012,717	33,561,421
Total assets		45,695,235	41,295,247
Equity and liabilities			
Equity			
Share capital		63,186	62,963
Share premium		9,920,760	9,920,760
Share-based payments reserve		1,276,080	1,059,531
Retained earnings		9,102,454	5,896,437
Equity attributable to equity holders of the Parent		20,362,480	16,939,691
Non-current liabilities			
Lease liabilities		1,563,376	2,027,866
Deferred tax liabilities		–	49,699
Provisions	9	1,162,235	907,945
		2,725,611	2,985,510
Current liabilities			
Trade and other payables	10	21,985,238	19,782,587
Lease liabilities		594,848	344,804
Corporation tax liability		27,058	1,242,655
		22,607,144	21,370,046
Total liabilities		25,332,755	24,355,556
Total equity and liabilities		45,695,235	41,295,247

Ashley Miller

Director

30 April 2025

Keystone Law Group Plc

Registered No. 09038082

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JANUARY 2025

	Attributable to equity holders of the Parent				
	Share capital	Share premium	Share-based payments reserve	Retained earnings	Total
	£	£	£	£	£
At 31 January 2023	62,732	9,920,760	1,028,247	6,847,378	17,859,117
Profit for the year and total comprehensive income	–	–	–	7,649,690	7,649,690
Transactions with owners					
Dividends paid in the year	–	–	–	(9,179,991)	(9,179,991)
Share-based payments vesting	231	–	(579,360)	579,360	231
Share-based payment awards	–	–	610,644	–	610,644
At 31 January 2024	62,963	9,920,760	1,059,531	5,896,437	16,939,691
Profit for the year and total comprehensive income	–	–	–	8,549,773	8,549,773
Transactions with owners					
Dividends paid in the year	–	–	–	(5,907,869)	(5,907,869)
Share-based payments vesting	223	–	(564,113)	564,113	223
Share-based payment awards	–	–	780,662	–	780,662
At 31 January 2025	63,186	9,920,760	1,276,080	9,102,454	20,362,480

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 JANUARY 2025

	Note	2025 £	2024 £
Cash flows from operating activities			
Profit before tax		11,684,999	10,306,331
Adjustments			
Depreciation and amortisation	4	823,681	897,814
Share-based payments	4	780,662	610,644
Revaluation of other assets		–	(70,810)
Finance income	5	(1,966,246)	(1,575,930)
Financing costs	5	855,043	686,726
		12,178,139	10,854,775
Working capital adjustments			
Increase in trade and other receivables		(3,131,196)	(2,588,441)
Increase in trade and other payables		2,202,651	1,435,229
Increase in provisions		254,290	724,444
Cash generated from operations		11,503,884	10,426,007
Interest paid		(767,002)	(615,726)
Interest portion of lease liability		(88,041)	(71,468)
Corporation taxes paid		(4,404,523)	(2,205,784)
Cash generated from operating activities		6,244,318	7,533,029
Cash flows from/(used in) investing activities			
Interest received		1,966,246	1,575,930
Purchases of property, plant and equipment		(772,373)	(68,910)
Investment in other assets		–	(44,812)
Net cash generated by investing activities		1,193,873	1,462,208
Cash flows from financing activities			
Proceeds from issue of ordinary shares		223	231
Lease repayments		(210,445)	(600,280)
Dividends paid in year		(5,907,869)	(9,179,991)
Net cash used in financing activities		(6,118,091)	(9,780,040)
Net decrease in cash and cash equivalents		1,320,100	(784,803)
Cash at 1 February		8,367,072	9,151,875
Cash at 31 January		9,687,172	8,367,072

NOTES TO THE PRELIMINARY ANNOUNCEMENT

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 consolidated financial statements incorporate the financial statements of the parent company and entities controlled by the parent company (its subsidiaries) made up to 31 January each year. Control is achieved when the parent company:

- Has the power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee
- Has the ability to use its power to affect its returns

The parent company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the parent company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The parent company considers all relevant facts and circumstances in assessing whether or not the parent company's voting rights in an investee are sufficient to give it power, including:

- The size of the parent company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- Potential voting rights held by the parent company, other vote holders or other parties
- Rights arising from other contractual arrangements
- Any additional facts and circumstances that indicate that the parent company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

Consolidation of a subsidiary begins when the parent company obtains control over the subsidiary and ceases when the parent company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the parent company gains control until the date when the parent company ceases to control the subsidiary. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value.

Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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 and Company have 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:

	2025 £	2024 £
Profit before tax	11,684,999	10,306,331
Amortisation	248,536	350,884
Share-based payments	780,662	610,644
Adjusted PBT	12,714,197	11,267,859

Management considers that the use of the alternative performance measure above, which removes the non-cash items charged to the income statement, provides a truer representation of the underlying performance of the Group.

3. OTHER AREAS OF JUDGEMENT AND ACCOUNTING ESTIMATES

In the application of the Group's accounting policies, management is required to make judgements and accounting estimates.

These estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Whilst these do not meet the definition under IAS 1 of significant accounting estimates or critical accounting judgement, the recognition of certain material assets and liabilities is based on assumptions and/or is subject to longer-term uncertainties. The other areas of judgement and accounting estimates are set out below.

RECOVERABILITY OF TRADE RECEIVABLES

Due to the nature of the business, there are high levels of trade receivables at the year end and, therefore, a risk that some of these balances may be irrecoverable. Because amounts due to lawyers are only payable when the Group has been paid, there is a built-in hedge to this exposure to the extent of approximately 75%. A variance of 1% in the loss ratio reflected in the impairment provision would equate to a movement in trade receivables impairment of £172,840 (2024: £153,170) which, in turn, would result in a change in the corresponding reduction in trade payables of £129,630 (2024: £115,177) and an impact to profit of £43,210 (2024: £37,993).

AMOUNTS RECOVERABLE ON CONTRACTS (ACCRUED INCOME) AND ASSOCIATED ACCRUED LIABILITY

During each financial year, the business carries out a review of billing activity to identify what share of each month's billing relates to a period prior to the start of that financial year. The results of these reviews are then added to the data derived from similar reviews in previous financial years and demonstrate a materially consistent performance insofar as to the share of each given month's billing which relates to a prior financial year. A fundamental judgement made when performing these reviews is that the contracts entered into each year have performance obligations with similar characteristics to those entered into in previous years; for example that the value of the services provided to the client is transferred evenly over the period of time that the services are provided. We use this data to generate a profile of the share of post year-end billing which relates to a previous financial year. This profile is then applied to the current year's budgeted billing to calculate the gross value of accrued income at the year end, a further adjustment is made to this value to reflect the estimated recoverable value, this adjustment is not material and as such is not separately disclosed. The accrued income valuation is then validated by reviewing the actual billing between the year end and the time the accounts are prepared (representing approximately 60% of the value of accrued income) to ensure that actual performance is in line with the expected profile. Keystone's lawyers' fees are 100% variable and directly associated with the value of fee income produced. Accordingly, when the Group recognises a value of accrued income, it also recognises a directly associated accrued liability in respect of the fees payable to its lawyers for that work which equates to approximately 75% of the value of accrued income.

Were the actual billing to differ to the budget but all other things remained equal, then a 1% variance in billing would equate to a movement in revenue of £79,464 (2024: £70,383). This, in turn, would result in a change in the associated cost of sale of £59,362 (2024: £52,263) and an impact to profit of £20,102 (2024: £18,120).

4. EXPENSES BY NATURE

Expenses are comprised of:

	2025 £	2024 £
Depreciation	120,863	136,070
Amortisation – intangible assets	248,543	350,884
Amortisation – right-of-use assets	454,275	410,860
Share-based payments	780,662	610,644
Staff costs	6,657,878	5,834,699
Other administrative expenses	7,512,604	6,858,305
	15,774,825	14,201,462

Included within staff costs above are the costs of employed fee earners who are included within cost of sales (2025: £1,230,192, 2024: £1,119,685).

5. FINANCE INCOME AND COSTS

	2025 £	2024 £
Finance income		
Interest income on bank deposits	1,966,246	1,575,930
Financing costs		
Interest on client monies held	(767,002)	(615,258)
Interest on leases for own use	(88,041)	(71,468)
Total finance costs	(855,043)	(686,726)
Net finance income/(costs)	1,111,203	889,204

6. STAFF COSTS

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

	2025 £	2024 £
Wages and salaries	5,674,063	5,049,463
Social security costs	741,316	573,268
Pension costs, defined contribution scheme	242,499	211,968
	6,657,878	5,834,699

Included within the social security costs above is an amount of £98,652 (2024: £Nil) 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:

	2025	2024
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	£	£
Fee earners	13	13
Administration and support	69	63
Total	82	76

7. EARNINGS PER SHARE

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

	2025 £	2024 £
Profit attributable to owners of the Parent	8,549,773	7,649,690
Amortisation ⁽¹⁾	248,543	350,884
Share-based payments ⁽¹⁾	780,662	610,644
Adjusted earnings	9,578,978	8,611,218

	2025 No. of shares	2024 No. of shares
Weighted average number of shares		
For basic earnings per share	31,554,166	31,386,062
Dilutive effect of grants under LTIP	547,383	563,260
For diluted earnings per share	32,101,549	31,949,322
Basic earnings per share (p)	27.1	24.4
Diluted earnings per share (p)	26.6	23.9
Adjusted basic earnings per share (p)	30.4	27.4
Adjusted diluted earnings per share (p)	29.8	27.0

⁽¹⁾ Amounts shown are before tax.

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

8. TRADE AND OTHER RECEIVABLES

	Group 2025 £	2024 £
Trade receivables	17,283,997	15,308,230
Provision for impairment of trade receivables	(5,497,587)	(4,812,995)
Net trade receivables	11,786,410	10,495,235
Receivables from related parties	–	–
Accrued income	12,856,306	11,571,696
Prepayments	1,919,904	1,843,276
Unbilled disbursements	842,334	793,825
Reimbursement asset	442,541	280,000
Other receivables	478,050	210,317
Total current trade and other receivables	28,325,545	25,194,349

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.

	2025 Gross £	2025 Provision £	2025 Expected Loss Rate %	2024 Gross £	2024 Provision £	2024 Expected Loss Rate %
0 to 30 days	6,458,897	323,383	5.0	5,555,147	278,200	5.0
31 to 60 days	2,295,345	229,535	10.0	2,361,527	236,153	10.0
61 to 90 days	1,043,915	104,391	10.0	1,306,762	130,676	10.0
91 to 120 days	958,313	239,578	25.0	752,254	206,870	27.5
4 to 6 months	1,256,700	801,660	63.8	396,358	216,965	54.7
6 months to 1 year	2,102,230	1,071,717	51.0	2,291,042	1,260,901	55.0
Over 1 year	3,168,597	2,727,323	86.1	2,645,140	2,483,230	93.9
	17,283,997	5,497,587	31.8	15,308,230	4,812,995	31.4

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:

	2025 £	2024 £
Balance at 1 February	4,812,995	4,114,670
Charge for the year	1,470,788	1,471,291
Amounts written off	(786,196)	(772,966)
Balance at 31 January	5,497,587	4,812,995

Because the payment terms of the Group's lawyers is "pay when paid", the impairment of a trade receivable balance automatically generates a directly related adjustment to trade payables (being approximately 75% of the net value impaired).

Accrued income has increased year on year largely in line with revenue, with accrued income days of 48 as at 31 January 2025 (2024: 48 days).

9. PROVISIONS

	Dilapidation £	Professional Indemnity £	Total Provision £
At 31 January 2023	183,501	–	183,501
Reclassified from accruals	–	492,250	492,250
Additional provision in the year	44,444	410,000	454,444
Utilisation of provision	–	(222,250)	(222,250)
At 31 January 2024	227,945	680,000	907,945
Additional provision in the year	15,730	300,316	316,046
Utilisation of provision	–	(61,756)	(61,756)
At 31 January 2025	243,675	918,560	1,162,235

The dilapidation provision in respect of leased premises in Chancery Lane.

The professional indemnity provision represents the current best estimates of the amounts likely to be needed to settle claims in respect of alleged professional negligence. These are the gross value before any amount is reclaimed from insurers under the Group's professional indemnity insurance policy. These estimates are subject to a high level of uncertainty as they depend on the outcome of a range of future events and accordingly may need to be updated as circumstances evolve. No separate disclosure is made in relation to the detail of any such claims as to do so would be seriously prejudicial to the position of the Group. Note that prior to 31 January 2024, the professional indemnity provision and the reimbursement asset, the value of which were not material, were presented net within accruals.

Separately, the Group recognises expected reimbursements from professional indemnity insurance associated with this provision within trade and other receivables (note 17). The table below shows the gross and net position

	Professional Indemnity Reimbursement provision £	asset £	Net £
At 31 January 2024	680,000	280,000	400,000
At 31 January 2025	918,560	442,541	476,019

10. TRADE AND OTHER PAYABLES

	Group	
	2025	2024
	£	£
Trade payables	10,222,352	8,984,449
Accrued expenses	11,529,447	10,393,799
Social security and other taxes	233,439	404,339
Total trade and other payables	21,985,238	19,782,587

Included within the above accrued expenses is the liability for lawyer fees associated with the accrued income (2025: £9,595,543; 2024: £8,636,465).

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	175,700	–	–	10,046,652	10,222,352
Accrued expenses	1,544,202	210,000	179,702	9,595,543	11,529,447
Lease Liabilities	297,424	297,424	1,823,647	–	2,418,495
At 31 January 2025	2,017,326	507,424	2,003,349	19,642,195	24,170,294

	0 to 6 months	7 to 12 months	1 to 5 years	Pay when paid	Total
	£	£	£	£	£
Trade payables	181,900	–	–	8,802,549	8,984,449
Accrued expenses	1,944,230	588,104	–	7,861,465	10,393,799
Lease Liabilities	47,380	297,424	2,379,392	–	2,724,196
At 31 January 2024	2,173,510	885,528	2,379,392	16,664,014	22,102,444

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 in the tables 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.