ANNUAL REPORT AND ACCOUNTS

for the year ended 31 January 2025

KEYSTONE LAW

Attractive business model

Our model offers lawyers freedom, flexibility and autonomy whilst delivering long-term and consistent growth.

Scalable

We grow organically by attracting high-calibre lawyers from a large addressable market which is ripe for disruption.

Supportive culture

Our supportive and collaborative culture is one of the reasons why lawyers are attracted to us and remain with us.

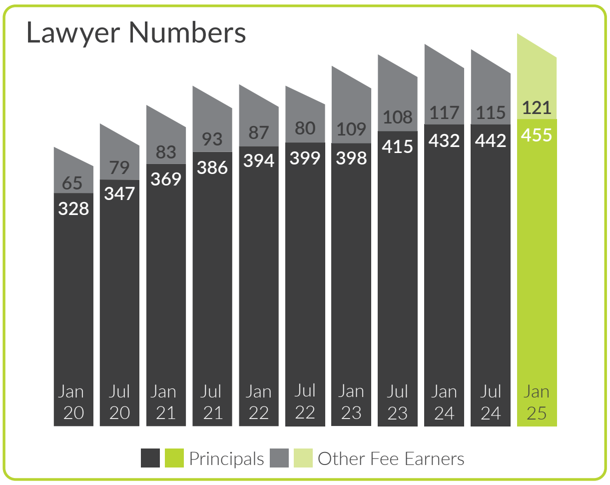
KEYSTONE LAW

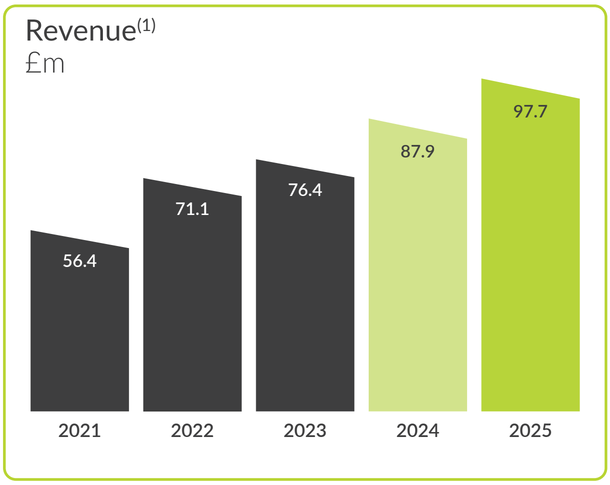
Strategic Report

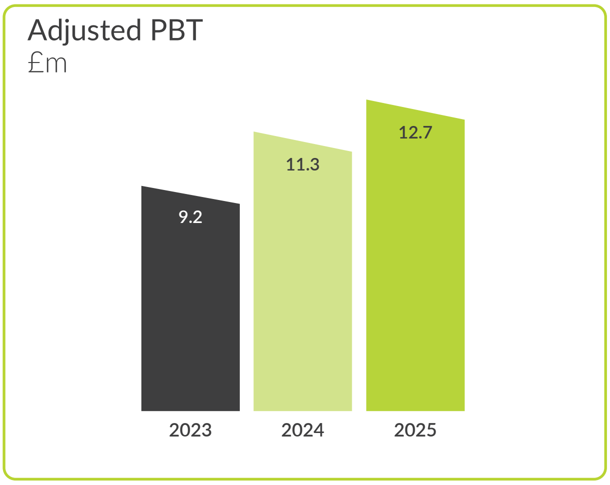
Governance

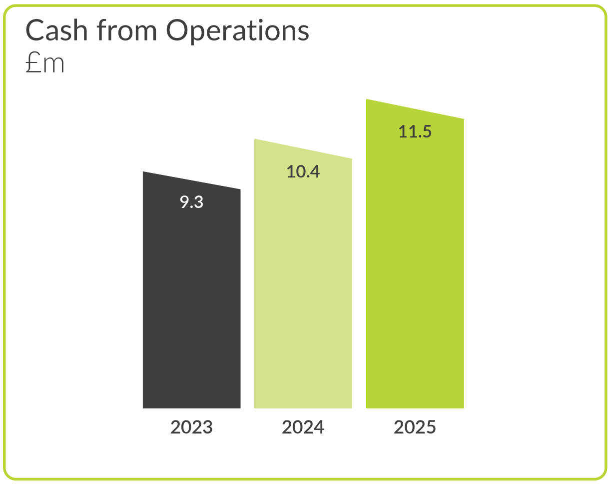
Our Financials

FAST GROWING, PROFITABLE AND CASH GENERATIVE









THE PREMIER PLATFORM LAW FIRM DELIVERING LONG-TERM SUSTAINABLE GROWTH

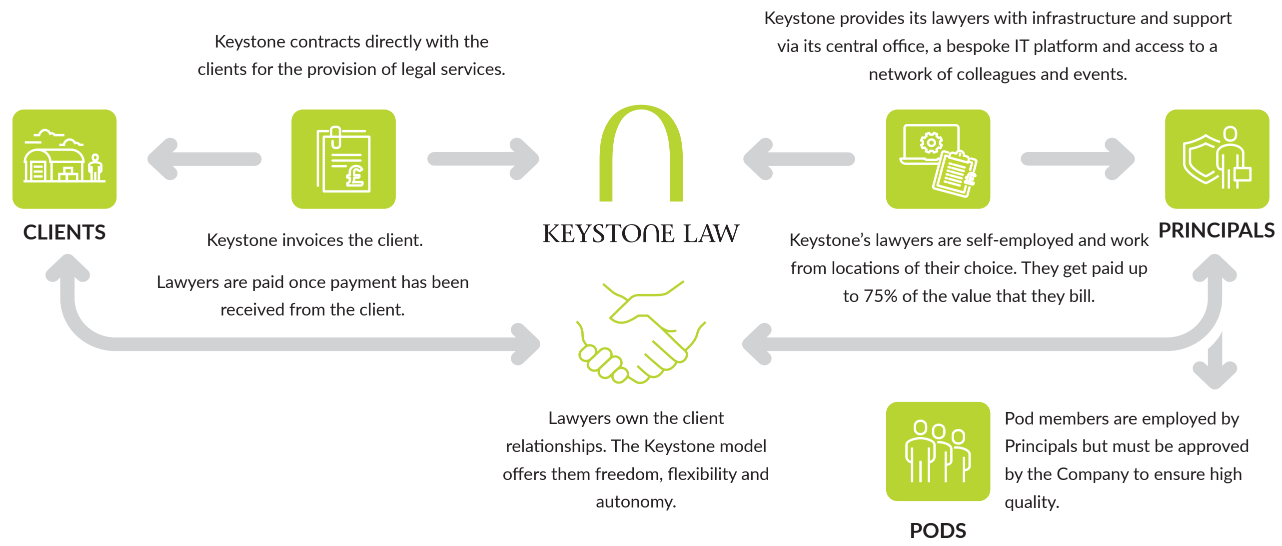
BUSINESS REVIEW AND GROWTH STRATEGY

KEYSTONE

Keystone is an award-winning, innovative, tech-enabled, full-service law firm, providing conventional legal services through its scalable and proven business model operating in an addressable market of over £10bn.

OUR MODEL

Keystone has a strongly differentiated business model which offers lawyers freedom, flexibility and autonomy. We recruit high-quality, experienced lawyers from mid-market law firms. Our lawyers are self-employed and they determine how, when and where they work, being fully responsive to the clients' demands. They earn up to 75% of the fees they bill: 60% for doing the work and 15% for introducing the client. In return, Keystone offers a full suite of resources, providing them with infrastructure and support via the central office, a bespoke user-friendly proprietary IT platform, and access to an extensive network of highly experienced colleagues, as well as a programme of events and initiatives focused on helping them to maximise their potential.



The remuneration model is simple, transparent and the same for everyone. Lawyers are paid once the clients have paid for the services. This structure has two core benefits: typically, lawyers earn more money for the same work than they would in a conventional firm, and Keystone is resilient and highly cash generative.

OUR CULTURE

Keystone's positive culture is one of the features of the business which attracts and retains our lawyers. The supportive, inclusive and collaborative nature of our culture ensures an extremely positive environment in which to operate. We treat our lawyers like clients, and the absence of a hierarchical structure amongst our Principals offers an array of benefits – our lawyers are freed from office politics and unwanted managerial responsibilities and are able to focus exclusively on what they enjoy and do best: namely doing legal work. For many lawyers, this is life changing. We have always believed that Keystone is one of, if not the, happiest law firm in the country and the overwhelmingly positive feedback we receive from our internal annual lawyer survey continue to demonstrate that this is the case. Most importantly, the sense of fulfilment and logistical support enjoyed by our lawyers directly results in the firm delivering an outstanding level of client service.

Whilst the model provides our lawyers with independence, it also provides a strong network and sense of collaboration within Keystone, which we consciously and consistently encourage and promote. We commit substantial time, effort and resources to bring our lawyers together so that they meet, know and trust each other. We recognise that internal networks offer both the professional and personal support our lawyers need to flourish. An important part of our lawyers' success is access to the extensive knowledge and experience of their colleagues. More than 30% of work at Keystone is a result of cross-referrals, demonstrating the multi-faceted requirements of clients and the inter-connectivity and collaboration that is built into the DNA of Keystone.

OUR SCALABLE GROWTH STRATEGY

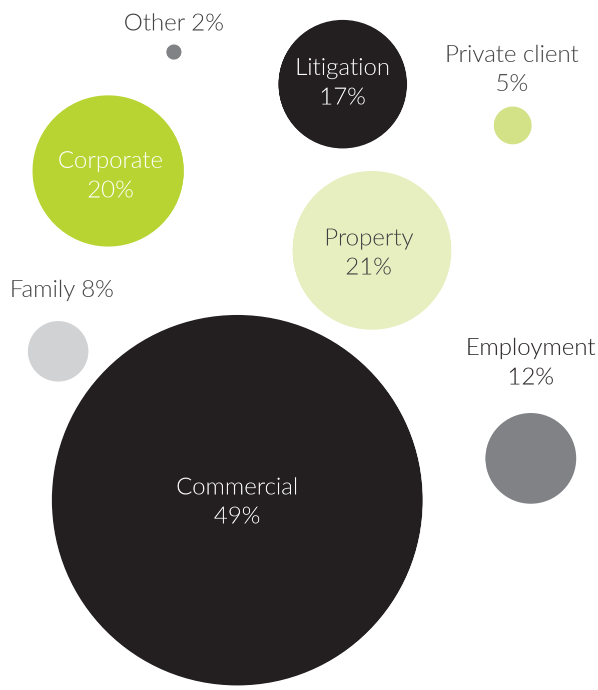
Keystone grows organically by recruiting high-calibre, senior lawyers from across the UK legal mid-market who bring with them their client relationships and contacts. Many of these senior lawyers further scale their practice by bringing with them, or subsequently recruiting, more junior lawyers to work with them in their "Pod", thus supporting the growth and delivery of larger practices as well as better leveraging the client relationships that the senior lawyers have. For those who either do not wish to take this approach, or for whom the need for support is less substantial, junior support is also available by way of the junior lawyers employed by the central office. Over and above this, the building and maintaining of internal networks within Keystone ensures that colleagues work together seamlessly to ensure that client needs are addressed by way of a full-service law firm.

Our addressable market is large (accounting for over £10bn in annual fee income) and our business model is now very widely accepted within the mainstream of the legal industry as an increasing number of lawyers seek to gain greater control over how they develop their practice, achieve an improved work–life balance, and earn more for the work they do.

Keystone's model means that there are neither physical nor working capital constraints on the rate of growth or the size to which the business can grow, with most areas of law within the mid-market being addressable by our model.

OUR SERVICES

Keystone delivers high-calibre legal advice across the full range of legal services demanded by our clients. The Keystone model enables our lawyers to focus exclusively on the development and delivery of client legal work, ensuring that the service delivered is exemplary. Our client base, comprising predominantly SME businesses as well as high and ultra-high net worth individuals, operates across a broad range of sectors. Our growth strategy ensures that we continually extend both our client base and our service offering as new lawyers bring both the expertise and their client relationships with them to Keystone. The chart below shows the spread of revenue by matter work type for the current financial year.



MARKET REVIEW

THE COMPOSITION OF THE UK LEGAL SERVICES MARKET

The UK Legal Services Market

The UK legal market is the second largest in terms of fee income in the world, with annual fee revenue of £47.1 billion in 2023[1] (up 7.7% year on year).

The UK is the largest legal market in Europe, second only to the US worldwide, and is globally recognised as the most international due to the widespread use of English law as the framework for international commercial contracts and dispute resolution.

The "mid-market" (the largest 200 law firms in the country (including Keystone, which is ranked no. 57[2]), excluding the global elite): these firms account for over £12 billion annual fee income and employ more than 40,000 qualified lawyers[2].

The "global elite" (the Magic Circle and Silver Circle firms and others that together make up the 15 largest UK firms by annual revenue): these firms focus on delivering complex legal services to the largest global businesses, generating, in aggregate, £23 billion annual fee income and employing over 38,500 qualified lawyers .

The "high street" market: this category covers the rest of the market.

Increasing complexity

The UK market operates under three different regulatory environments, covering England and Wales (93.4% of the UK market by value), Scotland (5.1%) and Northern Ireland (1.5%)[1]. The Legal Services Act 2007 introduced pivotal reforms liberalising the market in England and Wales, which, through the creation of the Alternative Business Structure (ABS), allowed non-lawyers to own and act in management capacities within law firms. These reforms have not been adopted in Northern Ireland, nor fully adopted in Scotland.

The UK market is diverse, comprising approximately 96,000[3] solicitors acting in private practice spread across nearly 10,000 law firms[1]. The Directors believe that the overall market can be broadly divided into the three segments shown above and that the mid-market is the segment in which Keystone operates.

(1) TheCityUK UK legal services 2024.
(2) The Lawyer Top 200, 2024.
(3) Law Society 2024.

FACTORS IMPACTING ON THE MID-MARKET LAW FIRM

- Changes to legislative framework – The Legal Services Act 2007 allowed for changes to the delivery of legal services, resulting in both new entrants to the market and the creation of new business models which challenge the long-standing model of traditional law firms. Prior to the Legal Services Act 2007, equity partnership was the only basis on which a lawyer could access the highest level of remuneration within a law firm.
- Technology's impact in commoditisation of services – The development and use of technology in everyday life is now such that there is a general expectation that many services can be delivered quickly and cheaply through the use of technology. This places pricing pressure on law firms to meet clients' perception of value creation. Whilst the development of AI is still in its infancy the existence of such technology will continue, or even accelerate, this direction of travel in the coming years. This puts ongoing pressure on businesses to innovate in order to either differentiate their product or compete purely on price.
- Longer-term macroeconomic factors – For a prolonged period of time, law firms have experienced an ongoing challenge created by downward pricing pressures from clients as well inflationary cost pressures in business models which have a high proportion of fixed/semi-fixed costs, thus squeezing profits. Whilst the last few years have seen a significant surge in demand for legal services which has alleviated the pressure on revenue, it has also been a time of very substantial cost and specifically wage inflation. These upward cost pressures have now been baked into the industry and it will only take a small softening in demand for the fixed nature of these higher salaries to create significant challenges to profitability for some businesses.
- Increased billing targets – In order to justify the higher salaries demanded in recent years (and previously), the most common response has been to match increases in salaries with significant increases in billing targets, both in terms of hourly rates and the number of billable hours needed to meet these. This demand for greater effort from those in senior associate and junior partner roles to deliver more revenue per head as well as drive business development, whilst still retaining a high level of managerial responsibility, creates an unhealthy environment even when demand remains exceptionally strong, whilst these same pressures make it unbearable for many as demand tightens.
- Changes in working patterns demanded by the workforce – Initially forced on the business community by the Covid lockdowns, the general recognition by lawyers that working from home is a benefit and has no adverse impact on the ability to deliver high-calibre legal services whilst providing a significant upside to quality of life. This shift in perception by employees is not entirely mirrored by many in traditional law firm management and as such is an area of increased tensions as employers try to entice / cajole lawyers to a higher level of office presence, whilst the lawyers themselves do not perceive any value in such changes. We believe that, over time, this will continue to be an area of conflict between traditional law firm management and their employees with traditional attitudes of presenteeism and control remaining across certain sectors of management in the mid-market law firms.
- Reduction in appeal of equity partnership – According to a 2023 survey by LexisNexis, today's generation of legal associates aspire to an enviable salary and a good work–life balance. It is reported that, whilst 75% of associates want to remain in private practice, only 25% want to make partner in the next five years. For 71% of associates, a good work–life balance is the most important factor determining their next career move. It appears that there has been a generational shift in the aspirations of young professionals progressing their career. Aside from the change in work–life balance aspirations, the financial risk associated with partnership has also contributed to the decline in interest as the cost of buying into partnerships is high and reduced profits in conventional mid-market law firms mean that the return on equity is less attractive. Furthermore, with several high-profile law firm insolvencies in recent years and the associated equity losses and personal liabilities for the equity partners involved, partnership of a mid-market law firm is no longer necessarily regarded as a secure investment.
- Changes in attitude towards "New Law"– The structural and cultural evolution of recent years means that it is no longer the case that the only route for a successful lawyer to develop their career is via the traditional route to partnership within a conventional firm. The absolute acceptance of alternative legal models, whether that be through platform models, in house roles or working within lawtech, changes in attitude across the profession mean that those who pursue non-traditional routes can not only benefit from the financial or lifestyle upsides which these routes may offer, but also receive the professional recognition they aspire to from their peers within the more traditional sectors of the profession.

MARKET REVIEW CONTINUED

OPPORTUNITY FOR KEYSTONE LAW

The Keystone model, also sometimes referred to as the platform model, is now considered, by most, in the mainstream of the UK legal mid-market as a serious option for high-calibre lawyers to practice law. Keystone itself is generally regarded as the stand-out offering in terms of those at the top end of the profession seeking to take advantage of the benefits offered by this model. The challenges faced by the traditional model and the manner in which traditional firms have responded to these challenges ensures that there is a sizeable pool of highly qualified, talented lawyers across the UK mid-market for Keystone to target and recruit from. By continuing to focus on the quality of our service delivery and the calibre of the lawyers we recruit and retain, we believe that we are well placed to continue to drive long-term sustainable growth into the future.

Whilst recent years have proven that an exceedingly busy legal market negates some of the structural challenges faced by the conventional firms operating in the industry, it is our strong belief that this has only provided a temporary reprieve, whereas as the market has started to soften marginally, the well-documented wage inflation across the industry will only serve to exacerbate the pressures brought to bear on lawyers and drive more of them to seek a change for the better in the future.

The cultural changes in attitude towards remote working brought on by the pandemic advanced the acceptance of the Keystone model by several years, making it possible for us to now attract lawyers from the very top of the legal profession, thus further enlarging the pool of lawyers wishing to take advantage of the opportunities offered by the Keystone model in the near-term. Whilst, the generational shift in attitude, highlighted in the LexisNexis survey 2023, towards a financially rewarding career which provides the opportunity for a good work–life balance suggests that the opportunity will continue to grow into the mid-term.

The Directors believe that, as a result of these trends, the UK legal services mid-market offers significant opportunity for Keystone far into the future.

COMPETITIVE LANDSCAPE

With the Keystone model substantially accepted into the mainstream, a growing number of entrants to the legal industry have sought to emulate its success so that there are now more than 50 law firms structured in a similar way to Keystone, but varying in calibre, size and services being delivered. The 2024 report from Codex Edge, using Atlas Data, reported that there are now over 3,500 lawyers working in what they call "platform firms". This development is viewed by the Board as a positive evolution, as it demonstrates an ongoing trend in favour of the platform model in general and Keystone in particular. Having enjoyed first mover advantage, Keystone has established itself as the premier organisation in this new genre, leading the market in terms of size, calibre of lawyer and market position, such that for those lawyers whom we seek to recruit, Keystone is the stand-out choice.

Whilst Keystone is widely considered the market leader amongst these "new law" businesses, the Directors consider that the Group's primary opportunity for growth exists across the entire mid-market, as Keystone's lawyers are predominantly recruited from the conventional firms operating in this segment of the market rather than other platform firms.

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 15p. 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.

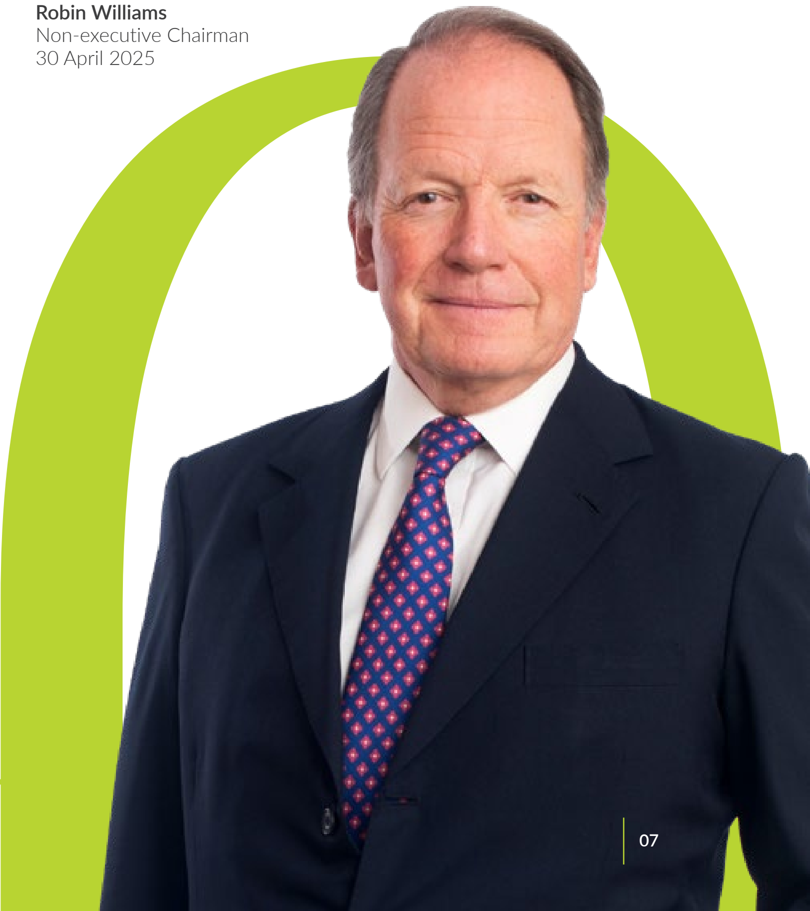
BOARD AND GOVERNANCE

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 this report. 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 on page 11.

(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

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).

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 26.6p (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 FY2025 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.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's principal risks and uncertainties are outlined on pages 17 and 18.

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.

FINANCIAL REVIEW AND STRATEGIC REPORT CONTINUED

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 very clear organic growth strategy aimed to ensure ongoing stakeholder value and all significant business decisions consider both their short and long-term impact on this strategy. Fundamental to delivering this strategy is to continue recruiting and retaining high-calibre lawyers who deliver work of the highest professional standards to our clients. 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.

Below are some examples of how the Directors have had regard to the matters set out in section 172 in decisions made when discharging their duties:

APPROVAL OF ANNUAL BUDGET

The Board has considered the financial and operational budget for the next financial year, focusing on driving continued growth of the lawyer base to underpin long-term sustainable growth.

FIT OUT OF OFFICES IN CHANCERY LANE

In considering the decision as to whether to refit our central office in Chancery Lane, as well as the sort of elements to include in this fit out, the Directors considered both the short-term and long-term implications of whether to do the work or not and choosing the fit out style. Consideration was given to the financial impact as well as the operational and brand impact. The considerations of all stakeholders were considered, including how the fit out would impact upon our employees, lawyers and clients both in terms of perception and actual day to day usage as well as our shareholders in terms of how the application of business resources in this way would impact on both the short-term and mid-term value of the business.

PAYMENT OF SPECIAL DIVIDEND

In reaching its decision to pay a special dividend this year, the Directors considered the interests of all relevant stakeholders. The Board concluded that the Group had accumulated surplus cash over and above the level needed to be conservatively held to meet ongoing working capital needs of the business, thereby satisfying its obligations to employees and creditors, and accordingly decided that such surplus should be returned to shareholders for their benefit.

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 15p. 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.

Ashley Miller
Finance Director
30 April 2025

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

ENVIRONMENTAL

By its nature, the legal services sector does not have a significant environmental impact. Over and above this, the Keystone model, with its minimal property footprint and a workforce which uses technology to support remote working and avoid commuting, further reduces that impact. That said, as a Board, we believe that we have a responsibility to minimise the impact we have, where possible, to support society's response to the climate crisis.

Since 2022, when we first carried out an assessment of our carbon footprint and took the decision to become certified carbon neutral, we have taken steps to reduce our carbon footprint where possible and where that was not possible to purchase carbon credits to offset those emissions. Through our Keystone Species initiative, we have supported both international and domestic projects which seek to protect the most important parts of our ecosystem.

This year, through the purchase of carbon credits, we provided support to the Amazon REDD+ project aimed at preventing deforestation across 105,000 hectares of pristine rainforest in the Amazon basin. By doing this, the project is protecting some of the world's most biodiverse habitats and vital keystone species which live there. As well as protecting life on land, the project will also help rehabilitate water-based wildlife by rehabilitating degrade areas along riverbanks and combatting riverbed erosion and polluting sediment levels in the water. Through the project's vital work, local communities and groups will receive training on alternative methods of economic sustainability, including granting land tenure for sustainable farming and understanding quality agricultural production methos to help reduce poverty and hunger.

On the domestic front, we have continued with our adoption of 20 British honeybee hives from Bees & Co, a certified carbon neutral honey farm. Whilst the honeybee is one of the smallest keystone species, its contribution to the ecosystem is vital, with an estimated one third of our food depending on pollination. These hives are handmade from British sustainable cedar wood and become home to over 1.5 million honeybees during the peak of summer. Our lawyers also benefit directly from this experience as a few are able to spend a day "bee keeping", bringing a real connection between our people and our environmental efforts, whilst the honey from our hives was sold at other charitable fundraising events which we ran during the year.

Our aim is to continue to reduce our carbon intensity and minimise our footprint wherever possible and, to the extent it is not possible to avoid emissions, we will continue to offset the impact through the use of the carbon credit system.

The table below shows the results of both this year and last year's assessment, which has been carried out independently in accordance with the methodology outlined by the GHC protocol.

KEYSTONE EMISSIONS tCO_2e (pre purchase of carbon credits)

tCO_2e	2025	2024
Scope 2 [1]	**14.3**	15.5
Scope 3 [2]	**248.3**	222.4
	262.6	237.9
Scope 2 (kWh)	**73,741**	79,879

(1) Scope 2 represents indirect emissions generated by the purchase of electricity, heating and cooling.

(2) Scope 3 represents other indirect emissions generated by our business and people whilst carrying out their jobs.

CARBON INTENSITY

	2025	2024
tCO_2e per £m revenue	**2.7**	2.7
Revenue £'m	**97.7**	88.3
tCO_2e per person	**0.41**	0.41
No. of people [1]	**632**	577

(1) No. of people is the average number of employees, Principals and Pod Members in the year.

This year we have seen a slight decline in the scope 2 emissions due to the fact that during the office refit the floors were closed resulting in lower electricity consumption. Whilst overall emissions have increased, this increase is in line with both revenue and personnel growth.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONTINUED

CORPORATE CULTURE AND OUR PEOPLE

A fundamental aspect of the success of Keystone is its culture. For the lawyers, the flat structure, transparent and consistent remuneration policy and absence of politics creates an extremely positive, open and encouraging environment in which they can thrive and drive forward their practices. Within the central office team, we engender a positive client-focused culture; this extends beyond the clients of the law firm to include the lawyers themselves, whom we treat as if they were clients. By engendering this supportive culture with our lawyers, we ensure that they are free to focus on client development and delivering legal services which are wholly consistent with the Group strategy. As a business, we run regular social and networking events for our lawyers; these provide ample opportunities throughout the year to assess and monitor the state of the culture amongst our lawyers, whilst the annual lawyer survey provides a further channel through which lawyers provide feedback to the management team on a range of aspects both practical and cultural. Furthermore, the Executive members of the Board work closely with the rest of the central office team, thus guiding and enhancing the positive behaviours and attitudes which underpin the corporate culture.

As a law firm, Keystone is regulated by the SRA and, as such, has to comply with the SRA Code of Conduct. Central to this Code is a series of obligations placed on the Group and its lawyers to operate with integrity and uphold the rule of law.

Keystone's business model drives positive behaviour. It aligns the interests of clients and lawyers, both of which are fulfilled through the Group and the support the lawyers receive and use in advising the clients.

EQUALITY AND DIVERSITY

We firmly believe in equality of opportunity and build our business by attracting and retaining the best talent for all roles. We have recently been recognised for the diversity of our people in the Law.com International diversity survey 2023[(1)]. Our business model offers genuine flexibility to our lawyers, giving them control over the hours they work and providing the technological platform which enables them to deliver their high-quality service from the location of their choice; all of this with a remuneration structure which is uncapped and identical for all Principals. Equally, the vast majority of our central office team are able to work remotely, benefitting from the same technology advantages enjoyed by our lawyers, using the offices as needed or desired.

(1) Top 5 law firms with the most female partners, top 5 law firms for LGBTQ+ representation, top 25 law firms for racial diversity and top 25 law firms for disability representation. Diversity data in 2024 was collected as part of the overall survey and no separate results were published.

The table below sets out the gender of our people as at 31 January.

	2025		2024	
	Male	**Female**	**Male**	**Female**
Board	**4**	**1**	4	1
Senior management	**3**	**2**	3	2
Other Central Office	**25**	**48**	14	43
Lawyers	**320**	**256**	303	246
Total	**352**	**307**	324	292

OUR PEOPLE POLICIES

The Group has an extensive range of policies in place to govern behaviour and protect the rights of our people. These include, but are not limited to, the following areas:

- For employees, entitlements such as remuneration, pension, holiday, sickness, parental/bereavement leave and pay
- Internal procedures including complaints and grievances, disciplinary, whistleblowing
- IT and other facilities usage
- Anti-bribery and corruption, data usage, data protection and GDPR, anti-money laundering, anti-slavery, client confidentiality
- Health and safety and diversity and inclusion
- SRA (Solicitors Regulatory Authority) code of conduct also applies to all

SHAREHOLDERS

The Board places great emphasis on good communications with shareholders. The Group primarily communicates with shareholders via its annual and interim reports, which are issued following RNS announcements through the post and are also published on the Group's website. Following the issue of these, the Chief Executive and the Finance Director meet with shareholders and analysts. Further announcements may be made during the course of the year via RNS, in satisfaction of the Board's reporting obligations and in compliance with regulation and best practice.

The Group's AGM also provides an opportunity for shareholders to communicate directly with the Board and shareholder participation is encouraged. Details of the Group's AGM, and the business to be transacted at it, are announced in the usual way and reproduced on the Group's website. Following the celebration of the AGM, the results of votes taken are published on our website.

In addition, the Chairman is available to meet major shareholders on request to discuss governance and strategy. Reports of these meetings, and any other shareholder communications during the year, are provided to the Board. Shareholders can contact the Group Secretary by emailing CS@keystonelaw.co.uk. Use the heading "Shareholder contact" to request that a matter be brought to the Board's attention or to arrange a meeting with the Chairman.

WIDER STAKEHOLDER ENGAGEMENT

The Board recognises the importance of the wider stakeholder groups, principally being: consultants and employees, clients and the Group's suppliers. The Group engages with each of these stakeholder groups regularly through a range of channels.

CONSULTANTS AND EMPLOYEES

Keystone's success is built on the calibre and commitment of its consultants (Principals and Pod Members) and employees, who share a common commitment to go above and beyond client expectation.

Keystone is characterised by its open and inclusive collegiate culture with consultants feeling free to share their views about the Group with management in an unhindered manner. The senior management and central office employees engage directly with the Group's consultants daily and meet with them in a range of different formats regularly throughout the year, providing plentiful opportunity for dialogue. Furthermore, Keystone conducts a formal annual survey in which the consultants provide their feedback on the service, support and infrastructure they receive, as well as producing a quarterly internal magazine and sending out more regular bulletins by email or over Keyed In.

Keystone's employees are equally central to the success of the Group and the open culture engendered within the team encourages employees to speak freely. Management is encouraged to ensure good engagement within its teams.

CLIENTS

Keystone's consultants have strong client relationships and, as such, normally have an open dialogue with their clients such that they receive regular feedback during the progression of each matter. Clients are also invited to give feedback directly to senior management in the Group's engagement letter, which is sent to every client at the commencement of the matter.

As a regulated law firm, the services we provide are governed by the highest standards of professional practice and our internal compliance function works with our lawyers, our clients, our regulator and our ombudsman in this respect.

Our service and expertise regularly win awards. A number of industry publications, including The Lawyer, Legal Week, Chambers and Partners have independently attested to Keystone's very high level of client satisfaction.

SUPPLIERS

Each of our Group unit heads engages directly with our suppliers in their area. We engage regularly with our key suppliers. The heads of our Group units have direct access to the Board and discuss supplier matters, both formally and informally, as and when necessary.

THE BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

JAMES KNIGHT
Chief Executive Officer

James founded Keystone in 2002 when he set out to create a new type of law firm. Prior to that, he had a ten-year career as a commercial solicitor in London, Hong Kong and Dubai. James now focuses on business development, marketing and other drivers of growth.

ASHLEY MILLER
Finance Director

Ashley joined Keystone in January 2015 and is a commercially orientated finance professional with over 25 years' experience. Having trained with Price Waterhouse, Ashley has spent his career establishing and managing international finance departments for SME businesses operating across the professional services sector.

NON-EXECUTIVE DIRECTORS

ROBIN WILLIAMS
Independent Non-executive Chairman

Robin joined the Board in October 2017 as Independent Non-executive Chairman. He is a chartered accountant with over 30 years' experience with listed companies, initially as an adviser, then as a leading Executive and, latterly, as a Non-executive. He is also currently Chairman of Churchill China Plc and Non-executive Director of Headlam Plc.

ISABEL NAPPER
Independent Non-executive

Isabel joined the Board in December 2020. She is an Independent Non-executive Director and, since April 2021, Chair of the Remuneration Committee. She is also a Non-executive Director and Chair of the Remuneration Committee of Tristel Plc. She has a range of experience having acted as Non-executive Director for both private and public companies for over 15 years. Until 2015, she practised as a lawyer specialising in intellectual property and commercial law.

SALAR FARZAD
Independent Non-executive

Salar joined the Board in March 2023 as an Independent Non-executive Director and in April 2023 he became Chair of the Audit Committee. He is a chartered accountant with extensive commercial experience who has served as CFO for a range of organisations, including AIM Listed, private and divisions of large groups with Official Listings. He is also currently Chief Financial and Administrative Officer of Gleeds, an international commercial property consulting firm and a Non-executive Member, sitting on the Nomination and Remuneration Committees, of Trinity College London.

PRINCIPAL RISKS AND UNCERTAINTIES

The Corporate Governance Statement includes an overview of the Group's approach to risk management and internal controls. Set out below are the principal risks and uncertainties that the Group faces and the activities designed to mitigate these risks. The Board recognises that the nature and scope of risks can change and that there may be other risks to which the Group is exposed; therefore, the list is not intended to be exhaustive.

	Risk	Mitigation
ECONOMIC DOWNTURN	A significant downturn in the UK economy impacting the demand for legal services.	We deliver our services across a broad range of legal services, supporting clients across a large range of sectors, such that we have no dependence on any one area of law, sector of the economy or client. Furthermore, the remuneration structure of our lawyers (fully variable and pay when paid) provides a substantial cushioning effect in the event of economic volatility. Finally, an economic downturn may provide further impetus to recruitment as conventional firms, which have high fixed costs, may struggle in this environment, thereby increasing the candidate flow.
LITIGATION, PROFESSIONAL LIABILITY AND UNINSURED RISKS	Due to the nature of a law firm and its role in providing legal advice, the Group remains susceptible to potential liability for negligence, breach of contract and other client claims. From time to time, in the ordinary course of business, Keystone receives claims of professional negligence which it notifies to its insurers. Any potential claim may be expensive to defend, divert the time and focus of management away from the Group's operations, and may result in the Group having to pay substantial monetary amounts, any of which could impact on the reputation of the Group and result in a material adverse effect on Keystone's business and overall financial condition.	We have a robust compliance and risk management team, which focuses on supporting lawyers to reduce the risk that such issues may arise and, to the extent that they do arise, we seek to mitigate any such risk by carrying professional indemnity insurance with a cap of £60 million.
REGULATORY RISK AND COMPLIANCE RISKS	The Group, like most businesses, is subject to a range of regulations. Failure to comply with these could have significant implications for the business ranging from reputational damage to criminal prosecution and sentencing.	The business has an experienced and robust compliance and risk management team, which oversees the Group's policies and procedures, ensuring that they meet the relevant regulatory requirements. The Group uses technology to support and drive compliant behaviour and to help the team to focus on areas of potential risk. Furthermore, the team calls upon external professional advice where needed to ensure that the business meets its compliance and regulatory obligations.
PERSONNEL	For any business, personnel is a particularly prominent asset heavily contributing to its strength and attractiveness. The Group is heavily reliant on its lawyers to attract new clients and maintain relationships with existing clients. If the Group was to lose the services of key lawyers with high client retention rates, or cease to be able to attract new lawyers, this could significantly impair the strategy and success of the firm from both a reputational and financial standpoint.	The Group invests considerable time and effort in working to attract high-quality new lawyers as well as focusing on ensuring that all lawyers feel a part of the Keystone "family". Furthermore, management continues to monitor the characteristics of the Keystone model to ensure that they remain commercially compelling and attractive to both existing and potential Keystone lawyers.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

	Risk	Mitigation
CONTRACTUAL ARRANGEMENTS WITH LAWYERS	Keystone's lawyers are self-employed, contracting with the Group predominantly via personal service companies. The self-employed status of the Group's consultants is not only based on the contractual structure, but also on the way in which the arrangements operate in practice. There is a risk that some of the consultant lawyers may be deemed to be workers or employees and, as such, would be entitled to additional benefits including, but not limited to, paid annual leave and sick pay. If this was to occur, then in addition to the rights for workers, such lawyers would gain rights for unfair dismissal. If the consultant lawyers were deemed to be employees, then the tax treatment would be different and the Group would be liable for PAYE and national insurance contributions for such people deemed to be employees. Furthermore, if there is a change in employment law or tax law, which means that the nature of the relationship which exists between the Group and its lawyers is not one of self-employment, then the rights and obligations referred to above could also be triggered.	The Group monitors the legislative landscape for any developments which could have a bearing upon this relationship. Where necessary, the Group would seek external professional advice to support it in assessing the implications of any such developments.
COMPETITION	Keystone competes with other legal firms that offer commercial law services in which quality of advice, service, reputation and value operate as highly competitive factors to distinguish the Group. Despite this, there remains a risk that competitor firms or a newly established firm will acquire market share. Competition remains a core risk for the Group as any loss of market share could reduce revenue, reduce margins, reduce the ability to recruit new lawyers and reduce the retention rates of current personnel, any of which could materially adversely affect the Group's business operations and overall financial condition.	Keystone's growth strategy continues to be focused on attracting good quality lawyers with strong client relationships. By maintaining the calibre of lawyers attracted and retained, management believes that they will maintain and enhance their position in the market. Management also continues to review and monitor the characteristics of the Keystone model to ensure that they stay ahead of any current or future competitors.
INFORMATION SYSTEMS AND SYSTEM SECURITY BREACHES	IT forms an integral part of the business's operating model and, as such, any breakdown of the Group's information technology system could be significant. Also, as Keystone processes sensitive personal data, it is possible that a security breach could result in some of this data becoming public. Were this to occur, then Keystone could face liability under data protection laws and could lose the goodwill of any clients affected by such a breach. Such a breach could also create reputational damage.	Hosting and support of all systems is outsourced to a large, reputable business which is dedicated to the provision of these services. It is contracted to keep all data safe, secure and backed up, and utilises a number of tools and appliances to maintain Keystone's data integrity and security. Over and above this, we continue to invest in IT security systems to reduce the risk that any breach/penetration can occur.

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The Directors acknowledge the importance of high standards of corporate governance and are pleased to confirm that the Group has continued to comply with the Quoted Companies Alliance Corporate Governance Code 2018 (the "QCA Code") throughout the year and that it will ensure that it is compliant with the updated QCA Code 2023 in line with its effective date (financial years starting on, or after, 1 April 2024).

BOARD EFFECTIVENESS

During the year, the Group has carried out an annual Board effectiveness review. This was an internal review led by the Chairman and involving all of the Directors. The format taken this year was for each Director to complete a questionnaire about the performance of the Board as a whole, commenting on the overall approach, effectiveness and any areas they felt that the Board could enhance its effectiveness. The results of this were then discussed in an open forum and considered.

No specific failings in effectiveness were identified and the review served to reinforce the Board's focus on the monitoring and management of risk as well as the key drivers of growth in the business.

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk management is a key area of focus for the Board, which is responsible for maintaining a sound system of internal controls to safeguard shareholders' investments and the Group's assets. Such a system is designed to reduce and manage the risk of failing to achieve the Group's objectives. It is designed to provide a reasonable assurance against material misstatement or loss. The Board has considered the need for an internal audit function and has concluded that, given the size and complexity of the Group, the internal control system currently in place is the most appropriate solution. The Board revisits this decision periodically.

The Board is responsible for the identification and evaluation of major risks faced by the Group and for determining the appropriate course of action to manage those risks. The Group maintains a risk register which the Board considers regularly. The risk register assesses both the risks and the controls in place to prevent the risk crystallising as well as any mitigation which would exist should they materialise. A summary of the principal risks and uncertainties, together with the relevant mitigation, is set out on pages 17 and 18 of this report.

The Group takes a proactive approach to risk management, which starts at the strategic level with the Group identifying areas of the law in which it will not operate. The Group then recruits to this risk profile. The recruitment process is controlled by the senior management team, who are qualified and experienced solicitors with many years' experience of recruiting consultants to Keystone. The Group focuses on attracting experienced and well-qualified lawyers with a client following from highly respected law firms, thereby reducing the risk profile of the lawyer base.

As a law firm, Keystone is regulated by the Solicitors Regulatory Authority ("SRA") as well as being subject to other legal regulation governing its industry and the economy as a whole (e.g. anti-money laundering legislation, data protection rules ("GDPR") etc.). As such, the Group has a dedicated compliance function, led by the Group's Compliance Officer and appropriately qualified staff, whose role it is to ensure compliance with all such regulation as well as handling any complaints or claims received from the Group's clients. The structure of Keystone ensures that this department is wholly independent of the lawyers, whilst the "open door" collegiate culture of the Group ensures that lawyers are more than happy to seek support and guidance from the team where they identify issues of potential concern. This department reports to the Chief Executive, who is fully appraised of any regulatory matters being handled, complaints/claims made as well as the status of these, and the Board receives regular updates as to the status of any significant regulatory matter or material claims made or complaints which the CEO believes may proceed to a claim.

The Group uses technology, with each new matter taken on being subjected to a risk questionnaire, as well as more traditional methods, such as file audits, to proactively monitor matters, and actively engages with consultants to assess, understand and manage any risk that should arise. The Group's standard terms of business, provided to each client at the start of each engagement, advises the clients of the Group's complaints procedure; this procedure directs the clients directly to the compliance department. Furthermore, under the terms of the compliance agreement, which each consultant enters into with the Group, the consultants are required to report all risks, complaints and regulatory matters to the compliance function.

CORPORATE GOVERNANCE STATEMENT CONTINUED

As the most significant risk for a law firm is associated with claims for professional negligence, one of the Group's significant contracts (and, as such, an item which requires Board sign off) is the renewal of the professional indemnity insurance. This ensures that the Board is the body which is ultimately responsible for assessing the appropriateness of the level of cover which the Group holds.

The financial procedures and controls of the Group are under the stewardship of the Finance Director (see Directors' biographies on page 16).

COMPOSITION OF THE BOARD, ITS SUBCOMMITTEES AND ITS MEMBERS

The Board generally comprises five Directors, two Executives and three Non-executives, reflecting a blend of different experiences and backgrounds. Directors' biographies, setting out their experience, skills and independence, are shown on page 16. The Board believes that the composition of the Board brings a desirable range of skills and experience in light of the Group's challenges and opportunities, whilst, at the same time, ensuring that no individual (or small group of individuals) can dominate the Board's decision making.

The Non-executive Directors are expected to devote such time as is necessary for the proper performance of their duties. It is anticipated that this will require them to spend a minimum of 24 days a year working for the Company. The Non-executive Directors meet during the year without the Executive Directors and provide effective balance and challenge. The Executive Directors are full-time employees of the Company.

The Non-executive Directors keep their skill set up to date with a combination of attendance at CPD events and experience gained from other Board roles. The Executive Directors are employed full time in the Group and this is the best way of their keeping up to date. The Group's Nominated Adviser and the Company Secretary ensure the Board is aware of any applicable regulatory changes. All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Group's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary and Finance Director.

The division of responsibilities between the Chairman and Chief Executive Officer has been agreed by the Board and is set out below.

ROLES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman leads the Board ensuring its effectiveness and his role and responsibilities are clearly divided from those of the Chief Executive Officer. The Chairman:

- sets the Board agenda;
- ensures that the Directors receive accurate and timely information and that adequate time is available for discussion of all agenda items, in particular, strategic issues;
- makes sure that all Directors, particularly the Non-executive Directors, are able to make an effective contribution;
- maintains a constructive relationship between the Executive Directors and the Non-executive Directors;
- initiates Board and Committee effectiveness reviews and the discussion of their outcomes;
- has primary responsibility for leading the Board; and
- chairs Board meetings.

The Chief Executive Officer has responsibility for all operational matters, which include the implementation of strategy and policies approved by the Board. In addition, he has responsibility for managing the business of Keystone subject to the matters reserved for the Board. He has overall responsibility for the Group's development and expenditure and delivering on the budget prepared by the Finance Director and approved by the Board.

MATTERS RESERVED FOR THE BOARD

The Board is responsible for reviewing, formulating and approving the Group's strategy, budgets and corporate actions and overseeing the Group's progress towards its goals. This is formally documented in a schedule of matters reserved for Board approval and includes:

- strategy and business plans, including annual budget;
- structure and capital including dividends;
- financial reporting and controls;
- internal controls on risk management and policies;
- significant contracts and expenditure;
- communication with shareholders;
- remuneration and employment benefits; and
- changes to the Board composition.

BOARD DECISIONS AND ACTIVITY DURING THE YEAR

The Board has a schedule of regular business comprising all the major financial and operational matters of the Group. The Board has established a number of committees, the work of which is described below. The Board has ensured that all areas for which it is responsible are addressed and reviewed during the course of the year. The Chairman, aided by the Company Secretary, is responsible for ensuring the Directors receive accurate and timely information. The Company Secretary provides minutes of each meeting and every Director is aware of the right to have any concerns minuted.

In addition to the Board meetings, there is regular communication between Executive and Non-executive Directors, including, where appropriate, updates on matters requiring attention prior to the next scheduled Board meeting. It is the Board's current practice that the Non-executive Directors meet periodically, and at least annually, without the Executive Directors.

BOARD MEETINGS

Board meetings are held monthly and arranged by the Company Secretary. Where the subjects to be discussed call for it, the Company Secretary arranges for or prepares suitable papers, which are then circulated to the Directors in advance. Additional ad hoc meetings and committee meetings are called as necessary, for example, to approve the release of the Group's Annual Report, once it has been approved in principle in substantially the final form.

At least annually, the Board will consider the Group's strategy and annual budget.

There are currently no plans in place for the evolution of the corporate governance framework in line with the Group's plans for growth as the Board believes that the current structure of the Board is suitable for such growth plans in the short to medium term. However, the Board will keep this under regular review.

The table below shows the Directors' attendance at scheduled meetings of the Board and its committees during the year:

	Board	Audit	Remuneration
James Knight	10/11		
Ashley Miller	11/11	2/2	
Robin Williams	11/11	2/2	3/3
Isabel Napper	11/11	2/2	3/3
Salar Farzad	11/10	2/2	3/3

DISCLOSURE COMMITTEE

The Disclosure Committee is available as needed to review how the Group should deal with price sensitive information. The purpose of the Disclosure Committee is to provide a rapid response to the potentially urgent matter of required disclosures. All Board members are members of the Disclosure Committee as is the Company Secretary. The quorum of the Disclosure Committee is one of the Chief Executive Officer, the Finance Director, or the Company Secretary and any Non-executive Director.

NOMINATION COMMITTEE

The Nomination Committee is available as needed to manage the process of appointing new Directors to the Board and to consider succession matters. The Committee is chaired by Robin Williams and is comprised of James Knight and the Non-executive Directors.

REPORT OF THE AUDIT COMMITTEE

OVERVIEW

The Audit Committee is charged with the oversight of the internal financial controls and risk management systems, making recommendations to the Board on the appointment of its auditor and the audit fee, monitoring and reviewing the conduct and control of the audit work, as well as monitoring the integrity of all formal reports and announcements relating to the Group's financial performance. The Committee has unrestricted access to the Group's auditor

The Audit Committee considers all proposals for non-audit services and ensures that these do not impact on the objectivity and independence of the auditor. The Audit Committee, in its meetings with the external auditor, reviews the safeguards and procedures developed by the auditor to counter threats, or perceived threats, to their objectivity and independence and assesses the effectiveness of the external audit. The Group's policy on non-audit services performed by the external auditor is to address any issues on a case by case basis.

COMPOSITION AND MEETINGS

The Audit Committee has three members, all of whom are independent Non-executive Directors, with one having recent and relevant financial experience with competence in accounting or auditing. The Finance Director attends the committee meetings by invitation.

The members of the Audit Committee are:

Salar Farzad (Chair), Isabel Napper and Robin Williams.

The Audit Committee has met twice during the year, once following the annual audit of last year's accounts and once following the half year. All members of the Committee attended both meetings as did the Finance Director by invitation for part of each meeting. The auditor attended the meeting following the annual audit to provide feedback on their work.

INTERNAL FINANCIAL CONTROLS AND RISK MANAGEMENT FRAMEWORK

The Audit Committee is charged with oversight of the internal financial control and risk management framework in the business. This framework is intended to provide reasonable, but not absolute, assurance against material financial misstatement or loss. The Audit Committee has concluded that sound risk management and internal controls have been in operation throughout the period.

FINANCIAL MANAGEMENT AND REPORTING

The Committee is satisfied that the Annual Report and Financial Statements, taken as a whole, provide a fair, balanced and understandable assessment of the Group's performance, its strategy and business model, as well as its financial position as at the end of the period, and has advised the Board accordingly.

In reaching these conclusions, the Committee has considered the information provided by management and discussions held with the external auditor.

INTERNAL AUDIT FUNCTION

Given the Group's straightforward structure and business model, the Board does not consider it necessary to have an internal audit function at this time. This position will be reviewed annually.

EXTERNAL AUDIT

The Committee has reviewed and agreed the scope and methodology of the work undertaken by the Group's external auditor RSM. It has considered their independence and objectivity and has agreed the terms of their engagement and their fees.

RSM has been the Group's auditor since the Group's shares were admitted to AIM. A review of their independence and audit process effectiveness is performed each year before a recommendation is made to the Board to propose their reappointment at the AGM.

Salar Farzad
Chair, Audit Committee

REPORT OF THE REMUNERATION COMMITTEE

OVERVIEW

The Remuneration Committee considers the performance of the Executive Directors and makes recommendations to the Board on matters regarding their remuneration and terms of service. As part of that process, the Remuneration Committee sets the scale and structure of the Executive Directors' remuneration package, including share-based payments having regard to best practice, corporate governance and the interests of shareholders. It is also responsible for the review and management of the Group's share-based incentive scheme.

The Remuneration Committee meets when required, but at least twice each year. The Committee has regard to the recommendations put forward in the QCA Code and the QCA Remuneration Committee Guide and associated guidance. The Remuneration Committee consists of three independent Non-executive Directors Isabel Napper (Chair), Robin Williams and Salar Farzad.

MEETINGS

During the year, the Committee met on three occasions and, on each occasion, all those who were members of the Committee at that time were present.

DIRECTORS' REMUNERATION SUMMARY (AUDITED)

The remuneration of the Directors is set out in the table below:

£'000	**Salary & Fees**	**Value of shares received under LTIP**	**Pension**	**Total 2025**	Salary & Fees	Value of shares received under LTIP	Pension	Total 2024
James Knight	357	–	10	367	347	–	4	351
Ashley Miller	212	113	10	335	198	104	9	311
Robin Williams	78	–	–	78	74	–	–	74
Isabel Napper	47	–	–	47	45	–	–	45
Salar Farzad	47	–	–	47	39	–	–	39
Simon Philips[1]	–	–	–	–	10	–	–	10
	741	113	20	874	713	104	13	830

(1) Simon Philips resigned in April 2023

During the year, the share awards granted in June 2021 vested.

KEY ACTIVITIES

During the year, the Committee:

- assessed the level of performance achieved versus the performance criteria of each of the LTIP awards which vested during the year and confirmed the vesting;
- considered whether the remuneration needs of the Group were met by the existing LTIP scheme or whether alternative share schemes needed to be established. This review identified that the existing scheme met the needs, except insofar as to the limit on the number of shares which could be issued under the scheme. The existing drafting contemplated the creation of alternative share schemes and, as such, allowed for 5% to be issued under the existing LTIP but a total of 10% under all schemes. As the Committee has now concluded that other schemes are not necessary the LTIP scheme rules have been amended to state that a limit of 10% will apply to this or any other share scheme. There has, therefore, been no amendment to the overall limit to the number of shares which can be issued under share schemes, instead the existing scheme has been made better fit for purpose;

REPORT OF THE REMUNERATION COMMITTEE CONTINUED

- considered which members of the senior management team should be qualifying individuals under the LTIP for the grant made during the year;
- reviewed the share allocation to qualifying individuals under the LTIP; and
- reviewed the remuneration arrangements for the Executive Directors and senior management team.

LONG TERM INCENTIVE PLAN

The Group operates a long-term incentive plan (the Keystone Law Long-Term Incentive Plan 2018). The main terms of the plan are as follows:

- the Remuneration Committee is authorised to grant performance share awards or nil-cost options to qualifying employees;
- awards are made subject to appropriate performance criteria;
- any award made is subject to a three year vesting period followed by a one year holding period (awards made prior to June 2023 were subject to a two year holding period), during which time employees may not sell the shares except insofar as necessary to pay for the tax arising from the grant;
- no single grant may have a value greater than 100% of the base salary of the individual to whom the grant is made; and
- the total number of shares which may be granted (net of any cancelled) under this, or any other, scheme may not exceed 10% of the total share capital of the Company.

In June 2024, performance share awards were issued to members of the senior management and an Executive Director. In accordance with the terms of the scheme, these awards were subject to performance criteria, with 80% of the award linked to EPS growth and 20% linked to comparative total shareholder return with both elements being measured over a three year period. The Remuneration Committee considers that the targets are appropriate and are aligned with shareholder interests.

Also in June 2024, following the Committee's assessment of the performance of the business against the performance criteria, 85% of the performance share awards granted in June 2021 vested. This was the result of achieving 100% of the EPS element of the award, whilst delivering a TSR which fell above the median but below the upper quartile of the comparator group meaning that 50% of this element of the award vested. In order to satisfy these awards, the business issued 111,564 ordinary shares in the capital of the Company.

The fair value of the employee services received in exchange for these grants is recognised as an expense on a straight-line basis over the vesting period. The total amount to be expensed is determined by reference to the fair value of the options or shares determined at the date of grant. The awards are valued using the Monte Carlo (TSR component) and Black–Scholes (EPS component) option pricing models. Non-market based vesting conditions are included in assumptions about the number of options that are expected to become exercisable or the number of shares that the employee will ultimately receive. This estimate is revised at each balance sheet date to allow for options that are not expected to vest and the difference is credited to the consolidated statement of comprehensive income with a corresponding adjustment to reserves.

The following table shows Share Awards held by Directors:

	31 January 2024	Lapsed	Vested	Granted	**31 January 2025**
Ashley Miller	70,591	(2,929)	(16,602)	22,085	**73,145**
Total	70,591	(2,929)	(16,602)	22,085	**73,145**

DIRECTORS' INTERESTS

According to the register of Directors' interests maintained under the Companies Act, the following interests in shares of the Company were held by the Directors in office at the year end:

	2025	2024
James Knight	**8,927,012**	8,965,512
Ashley Miller	**228,796**	220,164
Robin Williams	**11,000**	11,000
Salar Farzad	**2,050**	2,050

2025 DIRECTORS' REMUNERATION POLICY

This section sets out the Directors' Remuneration Policy of Keystone Law Group Plc, which will be put to shareholder approval at the 2025 Shareholders' Meeting.

INTRODUCTION

This Remuneration Policy sets out the framework for the remuneration of the Directors and senior management of the Company. The policy is designed to attract, retain and motivate individuals with the necessary skills and experience to deliver long-term shareholder value while ensuring compliance with AIM market guidelines and corporate governance principles.

OBJECTIVES OF THE POLICY

- Align remuneration with the Company's strategy, long-term performance, and shareholder interests.
- Provide a clear and transparent framework for setting and disclosing remuneration.
- Encourage a performance-based culture with an appropriate balance between fixed and variable pay.

SCOPE

This policy applies to the Executive Directors, Non-Executive Directors and senior management of the Company.

The table below summarises the main elements of remuneration packages for Executive Directors:

Component and Purpose	Operation	Maximum	Performance
BASE SALARY To attract and retain talent	Takes account of factors such as role, skills and contribution. The setting of base salaries takes into consideration factors such as external market as well as the individual's skill and contribution. Base salaries are normally reviewed annually.	No formal maximum	Individual and business performance are taken into account when setting base salaries.
BENEFITS To ensure total remuneration package is competitive	Benefits include private medical insurance and life insurance.	No formal maximum. The Company reviews its benefits to remain competitive in the broader employment market	

DIRECTORS' REMUNERATION POLICY CONTINUED

Component and Purpose	Operation	Maximum	Performance
PENSION To provide appropriate level of benefits that allow for retirement planning	The Company operates a defined contribution pension scheme for all employees. Executives can opt instead to receive a salary supplement in lieu of this pension contribution.	The level of employer contribution for executive directors, expressed as a percentage of basic salary, is in line with the rate applicable to the majority of the workforce.	
LONG TERM INCENTIVE PLAN ("LTIP") Incentivises long-term shareholder value creation and employee retention	The LTIP consists of an award of the Company's shares which vest, subject to performance criteria being satisfied, after a three-year period and are then subject to a one-year holding period, during which the beneficiary is able to sell shares sufficient to pay the tax liability which arises upon vesting. Malus and claw-back provisions apply.	The maximum value which may be awarded to any beneficiary is 100% of the recipient's base salary.	There are three performance metrics which are applied in calculating the number of shares which will vest of any award: 1. The Executive must remain employed at the time of vesting. 2. 80% of the value of the award is assessed against EPS growth targets approved at the time the award is made. 3. 20% of the value of the award is assessed by comparing the TSR delivered by the Group over the assessment period compared to the TSR of the comparator group.

James Knight does not participate in the LTIP scheme as the Committee believes that the level of his shareholding already ensures alignment of his interests with those of the broader shareholder body.

NON-EXECUTIVE DIRECTORS

The table below summarises the main elements of remuneration packages for Non-executive Directors:

Component and Purpose	Operation	Maximum	Performance
FEES Non-executive Director fees take into account external market conditions to ensure it is possible to attract and retain the necessary talent	Fees are normally set with reference to factors such as market positioning. Fees take into account the level of responsibility, experience and dedication required. To acknowledge the key role of the Chair of the Board of Directors, fees are set separately for this role.	No prescribed maximum. However, the Board takes account of the general increase in the market for Non-executive roles and aligns with the overall increase in Company's employee salaries.	Not applicable. Non-executive Directors do not participate in variable pay arrangements.

SERVICE CONTRACTS AND EXIT PAYMENTS POLICY

EXECUTIVE DIRECTORS

The following is a summary of the key terms of the service contracts of the Executive Directors:

The service contracts are available for inspection at the Company's registered office, upon prior request.

	James Knight	Ashley Miller
Term	Indefinite	Indefinite
Notice Period	12 months	3 months

There are no express provisions in Executives' service contracts with the Company for compensation payable upon termination of those contracts, other than for payments in lieu of notice.

NON-EXECUTIVE DIRECTORS

Non-executive Directors (including the Chair) do not have service contracts but rather letters of appointment, the key terms of which are set out below:

	Chairperson	NEDs
Initial term	3 years	3 years
Notice period	3 months	1 month

Isabel Napper
Chair, Remuneration Committee

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the financial statements of the Group for the year ended 31 January 2025.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group during the year were the provision of legal services, whilst the Company acts principally as a holding company. The results for the year and the financial position of the Group are as shown in the annexed financial statements. A review of the business and its future development is given in the Chairman's and Chief Executive's statements together with the Financial Review and Strategic Report.

RESULTS AND DIVIDENDS

The results for the year are set out in the consolidated income statement on page 37. The Directors propose a final ordinary dividend of 14.3p per share subject to the approval at the Annual General Meeting on 3 July 2025.

LIKELY FUTURE DEVELOPMENTS

Our priorities for the following financial year are disclosed in the Chief Executive's Statement on pages 08 to 09.

SUBSTANTIAL SHAREHOLDINGS

As far as the Directors are aware, the only notifiable holdings equal to, or in excess of, 3% of the issued ordinary share capital at 14 April 2025 were as shown in the table below:

	No. of Shares	% Holding
James Knight	**8,927,012**	**28.26**
Canaccord Genuity Wealth Management	**4,029,173**	**12.75**
Liontrust Asset Management	**3,431,010**	**10.86**
JPMorgan Chase & Co	**2,104,046**	**6.66**
Stancroft Trust	**1,630,000**	**5.16**
AssetCo Plc	**1,445,260**	**4.57**
Royal London Asset Management	**1,299,131**	**4.11**

DIRECTORS AND THEIR INTERESTS

The Directors who served throughout the year, except where otherwise stated, and in place at the date of this report, are as follows:

- James Knight
- Ashley Miller
- Robin Williams
- Isabel Napper
- Salar Farzad

The Directors' interests are included within the Report of the Remuneration Committee.

DIRECTORS' REMUNERATION

Directors' remuneration, payable in the year ended 31 January 2025, is set out in the Report of the Remuneration Committee.

DIRECTORS' INDEMNITIES

The Directors are entitled to be indemnified by the Company to the extent permitted by law and the Company's articles of association in respect of certain losses arising out of, or in, connection with the execution of their powers, duties and responsibilities.

The Company also purchased and maintained Directors' and Officers' Liability Insurance throughout the year.

SHARE CAPITAL

Details of share capital are given in note 18 to the financial statements.

EMPLOYEES

The Group operates an equal opportunities employment policy. The Group's policy on recruitment, development, training and promotion includes provision to give full and fair consideration to disabled persons, having particular regard to their aptitudes and abilities. The Group appreciates and values the input of all its employees and encourages development and training to enhance employee skills. The Group ensures that employees are aware of any important matters that may impact on the performance of the Group.

BUSINESS RELATIONSHIPS

The manner in which the Directors have regard for the interests of the various stakeholders of the Group is set out within the ESG section of this report.

GREENHOUSE GAS EMISSIONS, ENERGY CONSUMPTION AND ENERGY EFFICIENCY

Reporting regarding these areas is included within the ESG section of this report.

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.

FINANCIAL RISK MANAGEMENT

Financial risk is managed by the Board on an ongoing basis. The key risks relating to the Group are outlined in more detail in note 28 to the consolidated financial statements.

The Group's principal risks and uncertainties are outlined in a separate section of this report.

ANNUAL GENERAL MEETING

The Company's AGM will be held on 3 July 2025.

POLITICAL DONATIONS

No political contributions were made during the year.

AUDITOR

A resolution to reappoint RSM UK Audit LLP as auditor for the ensuing year will be proposed at the Annual General Meeting in accordance with Section 487(2) of the Companies Act 2006.

DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

On behalf of the Board

Ashley Miller
Finance Director
30 April 2025

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors have elected under company law and are required by the AIM Rules of the London Stock Exchange to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards and have elected under company law to prepare the Company financial statements in accordance with UK-adopted International Accounting Standards and applicable law.

The Group financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position and performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing the Group and Company financial statements, the Directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and accounting estimates that are reasonable and prudent;
c. state whether they have been prepared in accordance with UK-adopted International Accounting Standards; and
d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KEYSTONE LAW GROUP PLC

OPINION

We have audited the financial statements of Keystone Law Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 January 2025 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows, company statement of cashflows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2025 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

SUMMARY OF OUR AUDIT APPROACH

Key audit matters	**Group** Revenue recognition and year end accrued income
Materiality	**Group** Overall materiality: £590,000 (2024: £523,000) Performance materiality: £442,000 (2024: £392,000) **Parent company** Overall materiality: £242,000 (2024: £200,000) Performance materiality: £181,000 (2024: £150,000)
Scope	Our audit procedures covered 100% of revenue, 100% of total assets and 100% of profit before tax.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KEYSTONE LAW GROUP PLC – CONTINUED

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REVENUE RECOGNITION AND YEAR END ACCRUED INCOME

Key audit matter description	Revenue is the most significant component of the financial statements and there is risk that this could be materially misstated due to revenue being recognised in the incorrect accounting period. In addition, recognised revenue is impacted by the year end accrued income balance which is subject to management judgement and estimation. Judgement and estimation is applied by management in respect of the forecasting of billing and percentages applied in calculating the element relating to prior year work as further explained below and in the notes to the financial statements. The Group recognised revenue of £97.7m (2024: £87.9m) in respect of lawyer fees billed and accrued in the year and revenue consists of a large number of relatively low value individual transactions. Due to the large volume of transactions in the year, there is risk that not all matters in the year have been appropriately recognised. The accrued income balance is calculated by reference to the historical performance of the business as well as making forward looking assumptions. The business has reviewed, over a number of years, the percentage of actual invoicing which relates to prior year activity and it applies these percentages to the Group's monthly forecast billing. There are inherent uncertainties in the judgements and estimations used. For the above reasons, revenue recognition including accrued income is considered to be a key audit matter. Refer to notes 2, 3, 4 and 17 to the financial statements for disclosures relating to revenue and year end accrued income.
How the matter was addressed in the audit	Our audit procedures included: • Reviewing the appropriateness of the group's revenue polices in conjunction with IFRS 15 Revenue from contracts with customers in order to gain comfort revenue has been recorded correctly; • Assessing the design and implementation of key controls in respect of revenue recognition. We have not placed reliance on the operating effectiveness of controls relating to revenue recognition at the audit; • Considering management's approach to calculating the year end accrued income balance: challenging management's forecasts and percentages applied; recalculating and testing these to ensure they are reasonable by reference to post year end invoicing; • Performing data analytics testing using a recognised analytic tool to assess the occurrence and accuracy of revenue. The tool assesses 100% of transactions affecting the relevant sales cycle (revenue, receivables, cash, etc) during the year, leveraging work completed in other areas of the audit to gain assurance over expected/in-cycle transactions. The remaining population of unexpected, unusual and out-of-cycle transactions was then sampled, reviewed and agreed to supporting documentation as necessary; • Separately testing revenue cut-off by agreeing a sample of invoices raised around the year end to invoice and bank statement to ensure that revenue has been accounted for in the correct period.
Key observations	We concluded that the recognition and recoverability assumptions made by management with respect to revenue and accrued income are reasonable based on the audit evidence obtained.

OUR APPLICATION OF MATERIALITY

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	£590,000 (2024: £523,000)	£242,000 (2024: £200,000)
Basis for determining overall materiality	5.0% of profit before tax	1% of net assets
Rationale for benchmark applied	Investors are interested in the return on their investment, particularly in relation to dividends; therefore, the result for the year drives share price and the Group's ability to pay dividends.	The value of the parent company is driven by its investment in Keystone Law Limited and as such a net assets benchmark has been applied to determine overall materiality.
Performance materiality	£442,000 (2024: £392,000)	£181,000 (2024: £150,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £29,500 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £12,100 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The group consists of three components; each of the two non-dormant components is based in the United Kingdom. Full scope audits were performed on those two components; the remaining component is dormant and therefore no audit procedures were performed.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	2	100%	100%	100%
Dormant	1	–%	–%	–%
Total	**3**	**100%**	**100%**	**100%**

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KEYSTONE LAW GROUP PLC – CONTINUED

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included explanation of how the auditor evaluated management's assessment and the key observations arising in respect to that evaluation.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

THE EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KEYSTONE LAW GROUP PLC – CONTINUED

The most significant laws and regulations were determined as follows:

Legislation/Regulation	Additional audit procedures performed by the Group audit engagement team included:
UK-adopted IAS and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	Review of information submitted to HMRC, for consistency with other financial information reported.
Employment tax law	Review of HMRC IR35 guidance against the Group's business model.
Regulatory compliance	Discussions with the management as to whether all required communications with the Solicitors Regulatory Authority (SRA) have been made. The Group undergoes a separate SRA audit.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition and year end accrued income	The key audit matters section of our report explains this matter in detail and describes the specific audit procedures performed in response.
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

William Farren FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
30 April 2025

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 JANUARY 2025

	Note	2025 £	2024 £
Revenue	4	**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	17	**(1,470,788)**	(1,471,291)
Corresponding reduction in trade payables	17	**1,065,268**	1,088,755
		(405,520)	(382,536)
Depreciation and amortisation	5	**(823,681)**	(897,814)
Share-based payments	5	**(780,662)**	(610,644)
Other administrative expenses	5	**(12,940,290)**	(11,573,319)
Other operating income		**50,070**	52,183
Operating profit	6	**10,573,796**	9,417,127
Finance income	7	**1,966,246**	1,575,930
Financing costs	7	**(855,043)**	(686,726)
Profit before tax		**11,684,999**	10,306,331
Corporation tax	11	**(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)	12	**27.1**	24.4
Diluted EPS (p)	12	**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	13	**772,027**	120,517
Right-of-use assets	13	**1,973,730**	2,428,005
Total property, plant and equipment	13	**2,745,757**	2,548,522
Intangible assets	14	**4,807,411**	5,055,954
Investments	16	**129,350**	129,350
		7,682,518	7,733,826
Current assets			
Trade and other receivables	17	**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	18	**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	23	**1,563,376**	2,027,866
Deferred tax liabilities	19	**–**	49,699
Provisions	21	**1,162,235**	907,945
		2,725,611	2,985,510
Current liabilities			
Trade and other payables	22	**21,985,238**	19,782,587
Lease liabilities	23	**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

The financial statements on pages 37 to 69 were approved and authorised for issue by the Board of Directors on 30 April 2025 and were signed on its behalf by:

Ashley Miller
Director
30 April 2025

Keystone Law Group Plc
Registered No. 09038082

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY 2025

	Note	2025 £	2024 £
Assets			
Non-current assets			
Investment in subsidiary	15	**11,643,972**	10,863,310
		11,643,972	10,863,310
Current assets			
Trade and other receivables	17	**12,609,096**	9,223,979
		12,609,096	9,223,979
Total assets		**24,253,068**	20,087,289
Equity and liabilities			
Equity			
Share capital	18	**63,186**	62,963
Share premium		**9,920,760**	9,920,760
Share-based payments reserve		**1,276,080**	1,059,531
Retained earnings		**12,955,821**	9,000,375
Equity attributable to equity holders of the Company		**24,215,847**	20,043,629
Current liabilities			
Trade and other payables	22	**37,221**	43,660
Total liabilities		**37,221**	43,660
Total equity and liabilities		**24,253,068**	20,087,289

The Company's profit for the financial year was £9,299,202 (2024: £9,754,198). Under s408 of the Companies Act 2006, the Company is exempt from the requirement to present its own income statement.

The financial statements on pages 37 to 69 were approved and authorised for issue by the Board of Directors on 30 April 2025 and were signed on its behalf by:

Ashley Miller
Director
30 April 2025

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JANUARY 2025

		Attributable to equity holders of the Parent				
	Note	Share capital £	Share premium £	Share-based payments reserve £	Retained earnings £	Total £
At 31 January 2023	18	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	18	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	18	**63,186**	**9,920,760**	**1,276,080**	**9,102,454**	**20,362,480**

COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JANUARY 2025

	Note	Share capital £	Share premium £	Share-based payments reserve £	Retained earnings £	Total £
At 31 January 2023	18	62,732	9,920,760	1,028,247	7,846,808	18,858,547
Profit for the year and total comprehensive income		–	–	–	9,754,198	9,754,198
Transactions with owners						
Dividend 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	18	62,963	9,920,760	1,059,531	9,000,375	20,043,629
Profit for the year and total comprehensive income		–	–	–	9,299,202	9,299,202
Transactions with owners						
Dividend 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	18	63,186	9,920,760	1,276,080	12,955,821	24,215,847

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	5	**823,681**	897,814
Share-based payments	5	**780,662**	610,644
Revaluation of other assets	16	**–**	(70,810)
Finance income	7	**(1,966,246)**	(1,575,930)
Financing costs	7	**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	25	**(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	24	**1,320,100**	(784,803)
Cash at 1 February	24	**8,367,072**	9,151,875
Cash at 31 January	24	**9,687,172**	8,367,072

COMPANY STATEMENT OF CASH FLOWS

YEAR ENDED 31 JANUARY 2025

	Note	2025 £	2024 £
Cash flows from operating activities			
Profit before tax		9,300,000	9,754,198
		9,300,000	9,754,198
Working capital adjustments			
(Increase) in trade and other receivables		(3,385,117)	(568,500)
(Decrease)/Increase in trade and other payables		(6,439)	(5,938)
Cash generated in operations		5,908,444	9,179,760
Corporation taxes paid		(798)	–
Cash generated from operating activities		5,907,646	9,179,760
Cash flows from financing activities			
Proceeds from issue of ordinary shares		223	231
Dividend paid		(5,907,869)	(9,179,991)
Net cash used in financing activities		(5,907,646)	(9,179,760)
Net movement in cash and cash equivalents		–	–
Cash at 1 February		–	–
Cash at 31 January		–	–

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

2. ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The Financial Statements have been prepared in accordance with UK-adopted International Accounting Standards.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES

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

BASIS OF PREPARATION

The 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; and
- 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.

2. ACCOUNTING POLICIES CONTINUED

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; and
- 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. ACCOUNTING POLICIES CONTINUED

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.

GOODWILL

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating unit (or groups of cash-generating units) expected to benefit from the synergies of the combination. The cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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.

ACCOUNTING DEVELOPMENTS

At the date of authorisation of these financial statements, there were new standards issued, as well as amendments to standards which were in issue, but which were not yet effective, and which have not been applied. The principal ones were:

- IFRS 18 – Presentation and disclosure in financial statements (effective for annual periods beginning on, or after, 1 January 2027);
- Amendments to IFRS 9 and IFRS 7: Amendments to the Classification and Measurement of Financial Instruments (effective for annual periods beginning on, or after, 1 January 2026);
- Amendments to IFRS 9 and IFRS 7: Contracts Referencing Nature-dependent Electricity (effective for periods beginning on, or after 1 January 2026).

The Directors do not expect the adoption of these amendments to standards to have a material impact on the financial statements, although the implementation of IFRS 18 will impact the presentation of income from investments within the statement of comprehensive income.

2. ACCOUNTING POLICIES CONTINUED

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions. The Executive Directors are of the opinion that the Group has only one reportable operating segment.

REVENUE

The Group generates revenue, primarily, from delivering legal services to its clients. The services delivered are largely bespoke in their nature, being specific to the legal needs of the client and the matter. The amount of consideration received for any given assignment varies significantly and matters are predominantly charged to clients on either an hourly rate or a fixed fee basis, although a small amount of work is also undertaken under conditional fee arrangements.

Whilst billing arrangements vary according to the nature of the work being undertaken and the client relationship, most work is billed either monthly or at particular stages in the legal process. Whatever the billing arrangements, the value of the service transfers to the client over the course of the assignment and, accordingly, revenue is recognised as assignment activity progresses, except in respect of contingent fee assignments, which are only recognised in the period when the contingent event occurs and collectability of the fee is assured.

Unbilled fee income on matters is included as accrued income within receivables and is valued according to the Group's Work in Progress ("WIP") valuation policy, which is set out in note 3.

OPERATING PROFIT

Operating profit is stated after all expenses but before finance income or expenses.

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.

SHARE-BASED PAYMENTS

The cost of providing share-based payments to employees is charged to profit or loss over the vesting period of the related awards. The cost is based on the fair value of the awards of shares made determined at the date of the award using a combination of the Black–Scholes and Monte Carlo pricing models as appropriate, given the vesting and other conditions attached to the awards. The value of the charge may be adjusted to reflect expected and actual levels of vesting.

DISBURSEMENTS

Disbursements are not included in income or expenses as these are incurred as agent for the client. When incurred, these are recognised as an asset and categorised within trade and other receivables with a corresponding liability recognised within trade and other payables.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. ACCOUNTING POLICIES CONTINUED

TAXATION

The corporation tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted, or substantively enacted, by the reporting date in the UK, the country in which the Group operates, and generates taxable income.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements and on unused tax losses or tax credits available to the Group. Deferred tax is determined using tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to enable their recovery.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in its acquisition and installation.

A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made when, or before, the leased asset is available for use by the Group.

DEPRECIATION

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Fixtures, fittings and equipment	25%–33% straight line
Leased property	Straight-line basis over the lease term

GOODWILL

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity, recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses.

OTHER INTANGIBLE ASSETS

Lawyer relationships have been separately identified on acquisition and were recognised at fair value at the acquisition date. The fair value of the asset was calculated by reference to the net present value of the future benefits accruing to the Group from the utilisation of the asset discounted at an appropriate discount rate. These lawyer relationships are subsequently held at cost less accumulated amortisation. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the asset, which, in the case of lawyer relationships, is estimated to be ten years.

2. ACCOUNTING POLICIES CONTINUED

IMPAIRMENT OF INTANGIBLE ASSETS

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (CGU).

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at historical cost less provision for any impairment in value.

FINANCIAL INSTRUMENTS

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the underlying contractual arrangement. Financial instruments are recognised on the date when the Group becomes party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value. Financial instruments cease to be recognised at the date when the Group ceases to be party to the contractual provisions of the instrument.

Financial assets are included on the statement of financial position as investments in subsidiaries, trade and other receivables, other assets, or cash and cash equivalents.

A. TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated at their original invoiced value, as the interest that would be recognised from discounting the future cash receipts over the short credit period is not considered to be material.

Trade receivables are amounts due from clients for services performed in the ordinary course of business. Trade receivables are initially recognised at the amount of consideration and subsequently at amortised cost, less expected credit losses.

The expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows given default, based on the ageing of the receivable together with other specific information of which the Group is aware, which is likely to affect the likely recoverability of the receivable.

B. OTHER ASSETS

Other financial assets comprise the minority investment held in Keypoint Law Pty Limited. This investment is included in non-current assets and, as management does not intend to dispose of it within twelve months of the end of the reporting period, is held at fair value.

C. TRADE AND OTHER PAYABLES

Trade and other payables are stated at their original invoiced value, as the interest that would be recognised from discounting the future cash payments over the short credit period is not considered to be material.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

2. ACCOUNTING POLICIES CONTINUED

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, when it is probable that the Group will be required to settle that obligation, and when a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. Where a provision is made in respect of a professional negligence claim, which is covered by the Group's professional indemnity insurance, the amount provided would be the amount payable by the Group whether due to the policy excess or otherwise. Amounts in respect of any claims that are agreed (i.e. the timing and amount of payments are well understood) are recognised in accrued expenses rather than provisions.

LEASES

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A right-of-use asset and a lease liability are recognised for all leases. The total liability under the lease is discounted with the discounted value being recognised as both an asset (right-of-use assets) and a lease liability (split between current and non-current). The right-of-use asset is then depreciated on a straight-line basis over the term of the lease. During the course of the lease, interest is accrued on the lease liability such that the total value of the original discount is unwound over the life of the lease.

In the statement of cash flows, the settlement of lease liabilities is included within financing activities for the repayment of principal and within operating activities for the interest paid.

INITIAL MEASUREMENT OF THE LEASE LIABILITY

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The Group has applied a discount rate of 5%. The lease term is the non-cancellable period of the lease plus extension periods that the Group is reasonably certain to exercise and termination periods that the Group is reasonably certain not to exercise.

Leases are cancellable when each party has the right to terminate the lease without permission of the other party or incurring more than an insignificant penalty. The lease term includes any rent-free periods.

SUBSEQUENT MEASUREMENT OF THE LEASE LIABILITY

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments.

Interest on the lease liability is recognised in profit or loss, unless interest is directly attributable to qualifying assets, in which case it is capitalised in accordance with the Group's policy on borrowing costs.

SHARE CAPITAL

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

DEFINED CONTRIBUTION PENSION OBLIGATION

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

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).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4. REVENUE

The Group's revenue for the year from continuing operations is as follows:

	2025 £	2024 £
Rendering of services	**97,254,796**	87,450,484
Other revenue	**448,353**	480,142
	97,703,149	87,930,626

All revenue is derived from a single segment.

As required to be disclosed by IFRS 8 Operating Segments, no single customer represented more than 10% of revenue for any of the years ended 31 January 2025 or 2024.

5. 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).

6. OPERATING PROFIT

Operating profit is arrived at after charging:

	2025 £	2024 £
Depreciation expense	**120,863**	136,070
Amortisation – intangible assets	**248,543**	350,884
Amortisation – right-of-use assets	**454,275**	410,860
Fees to auditor: parent company	**15,000**	15,000
Fees to auditor: subsidiary	**115,000**	91,000
Fees to auditor: interim review	**–**	9,000

7. 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

8. 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 £
Fee earners	**13**	13
Administration and support	**69**	63
Total	**82**	76

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9. DIRECTORS' AND KEY MANAGEMENT PERSONNEL REMUNERATION

	2025 £	2024 £
Salary and fees	**741,558**	714,232
Pension	**20,000**	13,000
Employers NIC	**111,696**	105,701
Share-based payment charge	**113,192**	95,549
Total	**986,446**	928,482

Details of the Directors' remuneration is disclosed within the Report of the Remuneration Committee with details of share-based payments disclosed in note 10. The Directors are considered to be the only key management personnel.

10. EQUITY-SETTLED SHARE-BASED PAYMENT PLANS ("LTIP")

The Group operates a long-term incentive plan which has been approved by shareholders (the Keystone Law Long-Term Incentive Plan 2018 (the "Plan")). The Plan is a discretionary benefit offered for the benefit of selected key employees. Its main purpose is to increase the alignment of interest of the employees with the long-term goals and performance of the business and its shareholders.

Under the terms of the scheme, awards may either be granted as nil cost options or performance share awards and the type, value, performance conditions and periods, as well as to whom the grants are to be made, are at the discretion of the Remuneration Committee.

A summary of the structure of the rules of the Plan is set out below:

- Awards may either be granted as nil cost options or performance share awards;
- Awards may be granted under this Plan during the ten year period following the date of approval;
- Maximum number of shares awarded (excluding those which have lapsed) under the Plan may not exceed 5% of the share capital of the Company;
- Maximum number of shares which may be awarded under any share plan for the Company may not exceed 10% of the share capital of the Company in ten years preceding the date of issue;
- No individual may receive awards in any single year with a value greater than 100% of that individual's base salary;
- Awards are personal and non-transferable;
- Grants shall be subject to a three year vesting period;
- Following vesting, shares are subject to a further one year holding period (save for allowing shares to be sold to pay the tax liability arising on the vesting of the award); and
- Reduction of awards and clawback provisions are included.

In order to ensure that the scheme targets reflected the disruption caused by the Covid-19 pandemic, in June 2020, the Remuneration Committee approved the variation of the performance criteria, vesting and holding periods in respect of the award made in July 2018, and, in April 2021, the Remuneration Committee approved a similar variation to the award made in June 2019. Under the terms of these variations, the vesting period for these awards became four years and the holding period post vesting became one year. The target EPS at the end of the vesting periods remained the same as the original targets. Accordingly, the awards from June 2019 and September 2020 both vested during this financial year.

10. EQUITY-SETTLED SHARE-BASED PAYMENT PLANS ("LTIP") CONTINUED

The table below reflects the movement in the number of performance share awards outstanding during the year:

	2025	2024
Outstanding at 1 February	**526,266**	464,522
Vested	**(111,564)**	(115,171)
Lapsed	**(19,686)**	(71,775)
Granted	**180,361**	248,690
Outstanding at 31 January	**575,377**	526,266

The weighted average remaining contractual life of the performance shares was 1.9 years at 31 January 2025.

The following table shows share awards held by Directors:

	2025	2024
Ashley Miller		
Outstanding at 1 February	**70,591**	74,789
Vested	**(16,602)**	(22,247)
Lapsed	**(2,929)**	(13,893)
Granted	**22,085**	31,942
Outstanding at 31 January	**73,145**	70,591

The performance share awards issued include market-based performance conditions and have been valued using a combination of the Monte Carlo options pricing model (TSR tranche) and Black–Scholes method (EPS tranche). The fair value of the share awards granted during the year is £908,659 (2024: £785,363) and the charge for the year is £780,662 (2024: £610,644). The key assumptions used in the calculation of the fair value of the share-based payments are as follows:

Granted June 2022

	EPS Tranche	TSR Tranche
Share price at grant date	£7.10	£7.10
Exercise price	£0.00	£0.00
Risk free rate	–	1.79%
Dividend yield	2.21%	2.21%
Expected term	3 years	3 years
Volatility (simulated TSR performance)	–	32%
Grant date TSR performance of Company	–	9.4%
Grant date median/upper quartile TSR performance of comparator group	–	0.0%/1.7%
Correlation	–	13%
Discount for post-vesting transfer restrictions	17.2%	17.2%

The fair value of the share awards granted was £716,343.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10. EQUITY-SETTLED SHARE-BASED PAYMENT PLANS (“LTIP”) CONTINUED

Granted June 2023

	EPS Tranche	TSR Tranche
Share price at grant date	£4.35	£4.35
Exercise price	£0	£0
Risk free rate	–	4.98%
Dividend yield	3.7%	3.7%
Expected term	3 years	3 years
Volatility (simulated TSR performance)	–	29.5%
Grant date TSR performance of Company	–	0.0%
Grant date median/upper quartile TSR performance of comparator group	–	-0.1%/0.8%
Correlation	–	4%
Discount for post-vesting transfer restrictions	11.3%	11.3%

The fair value of the share awards granted was £785,363.

Granted May 2024

	EPS Tranche	**TSR Tranche**
Share price at grant date	**£6.90**	**£6.90**
Exercise price	**£0**	**£0**
Risk free rate	**–**	**4.23%**
Dividend yield	**2.7%**	**2.7%**
Expected term	**3 years**	**3 years**
Volatility (simulated TSR performance)	**–**	**30%**
Grant date TSR performance of Company	**–**	**4.7%**
Grant date median/upper quartile TSR performance of comparator group	**–**	**1.9%/5.8%**
Correlation	**–**	**3.7%**
Discount for post-vesting transfer restrictions	**11.7%**	**11.7%**

The fair value of the share awards granted was £908,659.

11. CORPORATION TAX EXPENSE

TAX CHARGED IN THE INCOME STATEMENT

	2025 £	2024 £
Current taxation		
UK corporation tax	**3,184,925**	2,727,818
Deferred taxation		
Unwinding of deferred tax liability	**(49,699)**	(71,177)
Tax expense in the income statement	**3,135,226**	2,656,641

The actual tax charge is higher than the standard rate of corporation tax in the UK applied to the profit before tax 2025: 26.6% (2024: 25.8%).

The differences are reconciled below:

	2025 £	2024 £
Profit before tax	**11,684,999**	10,306,331
Corporation tax at standard rate 25% (2024: 24%[1])	**2,921,249**	2,473,519
Increase from effect of expenses not deductible in determining taxable profit	**213,977**	183,121
Total tax charge	**3,135,226**	2,656,640

(1) Corporation tax rates were 19% until 6 April 2023, then 25% thereafter. 24% is a blended rate based on pro rating the standard rates and period.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12. 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.

13. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets[1] £	Furniture, fittings and equipment £	Total property, plant and equipment £
Cost or valuation			
At 31 January 2023	2,054,303	682,435	2,736,738
Additions	2,325,290	68,910	2,394,200
Disposals	–	(12,698)	(12,698)
At 31 January 2024	4,379,593	738,647	5,118,240
Additions	–	772,373	772,373
Disposals	(2,054,303)	(148,785)	(2,203,088)
At 31 January 2025	**2,325,290**	**1,362,235**	**3,687,525**
Depreciation/Amortisation			
At 31 January 2023	1,540,726	494,758	2,035,484
Charge for the year	410,862	136,070	546,932
Disposals	–	(12,698)	(12,698)
At 31 January 2024	1,951,588	618,130	2,569,718
Charge for the year	454,275	120,863	575,138
Disposals	(2,054,303)	(148,785)	(2,203,088)
At 31 January 2025	**351,560**	**590,208**	**941,768**
Carrying amount			
At 31 January 2025	**1,973,730**	**772,027**	**2,745,757**
At 31 January 2024	2,428,005	120,517	2,548,522
At 31 January 2023	513,577	187,677	701,254

[1] Right-of-use assets relate to property leases. During 2024, the Group renewed its existing leases on the offices in Chancery Lane, the new leases started in April 2024 and run for a five year term.

The Company had no property, plant and equipment in either 2025 or 2024.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14. INTANGIBLE ASSETS

	Lawyer relationships £	Goodwill £	Total intangibles £
Cost or valuation			
At 31 January 2024 and 2025	**3,508,840**	**4,807,411**	**8,316,251**
Amortisation			
At 31 January 2023	2,909,413	–	2,909,413
Charge for the year	350,884	–	350,884
At 31 January 2024	3,260,297	–	3,260,297
Charge for the year	248,543	–	248,543
At 31 January 2025	**3,508,840**	**–**	**3,508,840**
Carrying amount			
At 31 January 2025	**–**	**4,807,411**	**4,807,411**
At 31 January 2024	248,543	4,807,411	5,055,954
At 31 January 2023	599,427	4,807,411	5,406,838

For the purpose of impairment testing, goodwill arising from the acquisition of Keystone Law Limited is allocated to the cash-generating unit (CGU) that is expected to benefit from the synergies of the combination. Goodwill reviews are undertaken annually or more frequently if events or changes in circumstances indicate potential impairment.

An impairment review has been performed for the year ended 31 January 2025 and recoverable amounts have been determined based on value-in-use calculations. These calculations have assessed the projected future cash flows over the next five years based on financial budgets approved by management for the year ended 31 January 2026 and then looking forwards a further four years. A discounted cash flow model was prepared assuming no growth in profits over the period to stress test the carrying value of the goodwill, using a pre tax discount rate of 11% (2024: 11%).

Management does not foresee any realistic adverse movement in the assumptions used in the impairment review which would trigger the requirement for an impairment.

15. INVESTMENTS IN SUBSIDIARY

COMPANY SUBSIDIARIES

Details of the Company's subsidiaries as at the end of each year were as follows:

			Proportion of ownership interest and voting rights held by the Group	
Name of subsidiary	Principal activity	Country of incorporation and principal place of business	**2025**	2024
Keystone Law Limited	Provision of legal services	England and Wales	**100%**	100%
Keystone Law (Guernsey) Limited	Dormant	England and Wales	**100%**	100%

Keystone Law Limited is owned by the Company, whilst Keystone Law (Guernsey) Limited is owned by Keystone Law Limited. The registered office of all subsidiaries above is 48 Chancery Lane, London, WC2A 1JF.

The movement in the Company investment value, which is £780,662 (2024: £610,644) represents the cost of share awards granted under the Company's Long-Term Incentive Plan. For further details see note 10.

16. INVESTMENTS

	2025 £	2024 £
Non-current financial assets		
At 1 February	**129,350**	13,628
Additions	**–**	44,812
Revaluation	**–**	70,910
At 31 January	**129,350**	129,350

Investments represent the value of the Group's minority holding in Keypoint Law Pty Limited, an Australian law firm, which is carried at fair value.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17. TRADE AND OTHER RECEIVABLES

	Company		Group	
	2025 £	2024 £	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	12,598,826	9,204,894	–	–
Accrued income	–	–	12,856,306	11,571,696
Prepayments	10,270	19,085	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	12,609,096	9,223,979	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.

In the Company, there is no expected credit loss in respect of the receivables from related parties due to the low credit risk of Keystone Law Limited, being the counter party.

	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.

17. TRADE AND OTHER RECEIVABLES CONTINUED

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).

18. ALLOTTED, CALLED UP AND FULLY PAID SHARES – GROUP AND COMPANY

	As at 31 January 2025		As at 31 January 2024	
	No.	£	No.	£
Ordinary shares of £0.002	**31,592,878**	**63,186**	31,481,314	62,963

RIGHTS, PREFERENCES AND RESTRICTIONS

Ordinary shares have the following rights, preferences and restrictions:

Ordinary shares have attached to them full voting, dividend and capital distribution (on winding up) rights; they do not confer any rights of redemption.

19. DEFERRED TAX

	Company		Group	
	2025 £	2024 £	2025 £	2024 £
Accelerated capital allowances	**–**	–	**–**	–
Timing differences on intangible assets	**–**	–	**–**	49,699
Deferred tax	**–**	–	**–**	49,699

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20. PENSION AND OTHER SCHEMES

DEFINED CONTRIBUTION PENSION SCHEME

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £242,499 (2024: £211,968). The amount outstanding for payment to the scheme at 31 January 2025 was £20,167 (2024: £18,804).

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

The Company has no provisions.

22. TRADE AND OTHER PAYABLES

	Company		Group	
	2025 £	2024 £	**2025 £**	2024 £
Trade payables	**–**	–	**10,222,352**	8,984,449
Accrued expenses	**37,221**	43,660	**11,529,447**	10,393,799
Social security and other taxes	**–**	–	**233,439**	404,339
Total trade and other payables	**37,221**	43,660	**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.

23. LEASE LIABILITIES

Disclosures of the carrying amounts of the right-of-use assets by class and additions to right-of-use assets have been provided in the Property, plant and equipment note.

	Company		Group	
	2025 £	2024 £	**2025 £**	2024 £
Current lease liabilities				
Lease liabilities	**–**	–	**594,848**	344,804

	Company		Group	
	2025 £	2024 £	**2025 £**	2024 £
Non-current lease liabilities				
Lease liabilities	**–**	–	**1,563,376**	2,027,866

The Group leases two floors of an office building for use in its operations, the lease terms run for five years from April 2024. The leases do not contain an automatic option to extend the term; therefore, this has not been included in the lease liability. There are no material future cash outflows which the Group is exposed to, which are not reflected in the measurement of the lease liabilities.

The incremental borrowing rate applied to the Group's lease arrangements is 5%. The carrying amounts of the lease obligations are all denominated in Pounds, with the fair value of the Group's lease obligations being approximately equal to their carrying amounts.

The amounts charged to the income statement in respect of leases is comprised of two elements: the amortisation of the right-of-use asset (note 5) and the interest element (note 7). The total cash outflow in respect of leases was £298,486 (2024: £672,215).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24. RECONCILIATION OF CHANGES IN CASH AND LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 February 2024 £	Cash flow £	Non-cash movement £	**31 January 2025 £**
Cash and cash equivalents	8,367,072	1,320,100	–	**9,687,172**
Lease liabilities due within 1 year	(344,804)	214,446	(464,490)	**(594,848)**
Lease liabilities due after 1 year	(2,027,866)	–	464,490	**(1,563,376)**
Total net debt	5,994,402	1,534,546	–	**7,528,948**

	1 February 2023 £	Cash flow £	Non-cash movement £	31 January 2024 £
Cash and cash equivalents	9,151,875	(784,803)	–	8,367,072
Lease liabilities due within 1 year	(538,544)	600,747	(407,007)	(344,804)
Lease liabilities due after 1 year	(109,484)	–	(1,918,382)	(2,027,866)
Total net debt	8,503,847	(184,056)	(2,325,389)	5,994,402

25. DIVIDENDS

During the year, the Company paid an interim ordinary dividend of 6.2p per share (2024: 5.8p). The Directors will propose a resolution at the coming AGM to pay a final ordinary dividend of 14.0p per share, being £4,422,999 (2024: 12.5p, being £3,935,164) and a special dividend of 15.0p per share, being £4,738,927. This will bring the total value of ordinary dividend paid and declared for the year to 20.2p, being £6,318,570 (2024: 18.3p, being £5,761,080).

The total cash value of dividends paid in the year was £5,907,869 (2024: £9,179,991).

26. RELATED-PARTY DISCLOSURES

During the period, the Group received income of £102,640 (2024: £100,343) from Keypoint Law Pty Limited, an Australian law firm in which the Group holds a minority shareholding.

In note 17, the Company shows amounts owed by related parties of £12,598,826 (2024: £9,204,894). This relates to amounts owed by the subsidiary Keystone Law Limited, as Keystone Law Group plc does not have a bank account and, as such, Keystone Law Limited acts as the treasury function for the Group. The balances are unsecured, interest free and repayable on demand.

27. FINANCIAL INSTRUMENTS

In common with other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The significant accounting policies regarding financial instruments are disclosed in note 2.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years, unless otherwise stated in this note.

27. FINANCIAL INSTRUMENTS CONTINUED

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

FINANCIAL ASSETS

INVESTMENTS

	Company		Group	
	2025 £	2024 £	**2025 £**	2024 £
Investments held at FVTPL	**–**	–	**129,350**	129,350

FINANCIAL ASSETS AT AMORTISED COST

	Company		Group	
	2025 £	2024 £	**2025 £**	2024 £
Cash and cash equivalents	**–**	–	**9,687,172**	8,367,072
Trade and other receivables	**12,598,826**	9,204,894	**26,447,874**	23,351,073
	12,598,826	9,204,894	**36,135,046**	31,718,145

The fair values of the financial assets are not materially different to their carrying values due to the short-term nature of the current assets. Impairment losses on trade receivables disclosed in note 17 represent the only impairment gains or losses on financial instruments during the year.

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.

The Company had accrued expenses of £37,221 (2024: £43,660), all of which would fall within the 0 to 6 months category above.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

28. FINANCIAL RISK MANAGEMENT AND IMPAIRMENT OF FINANCIAL ASSETS GENERAL OBJECTIVES, POLICIES AND PROCESSES

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives regular reports from the Finance Director through which it reviews the effectiveness of processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

CREDIT RISK AND IMPAIRMENT

Credit risk arises, principally, from the Group's trade and other receivables. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. The maximum exposure to credit risk equals the carrying value of these items in the financial statements. As the lawyers are only paid for the work once the client has paid the invoice, the credit exposure is minimised to the gross profit margin element of any given invoice.

Credit risk with cash and cash equivalents is reduced by placing funds with banks with high credit ratings.

LIQUIDITY RISK

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. Any liquidity risk is substantially reduced as the Group's principal liability, that of the lawyers' fees, is only payable once the clients have paid the invoices to which these fees relate.

The Board receives cash flow projections on a regular basis, which are monitored regularly. The Board will not commit to material expenditure in respect of its ongoing development programme prior to being satisfied that sufficient funding is available to the Group to finance the planned programmes.

INTEREST RATE RISK

There is no significant interest rate risk in respect of temporary surplus funds invested in deposits and other interest-bearing accounts with financial institutions, as the operations of the Group are not dependent on the finance income received.

CAPITAL RISK MANAGEMENT

The Group considers its capital to comprise its ordinary share capital and retained profits as its equity capital. In managing its capital, the Group's primary objective is to provide return for its equity shareholders through capital growth and future dividend income. The Group's policy is to seek to maintain a gearing ratio that balances risks and returns at an acceptable level and to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues or the issue of debt, the Group considers not only its short-term position, but also its long-term operational and strategic objectives.

Details of the Group's capital are disclosed in the Statement of Changes in Equity.

There have been no other significant changes to the Group's management objectives, policies and procedures in the year, nor has there been any change in what the Group considers to be capital.

CURRENCY RISK

The Group is not exposed to any significant currency risk.

29. RESERVES

SHARE PREMIUM

The balance of the share premium account represents the value received for shares issued above their nominal value net of transaction costs.

SHARE-BASED PAYMENTS RESERVE

The balance of the share-based payments reserve represents the cumulative expense charged to the statement of comprehensive income in respect of share-based payments.

RETAINED EARNINGS

The balance of the retained earnings reserve represents the cumulative profits of the business net of distributions made to shareholders.

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