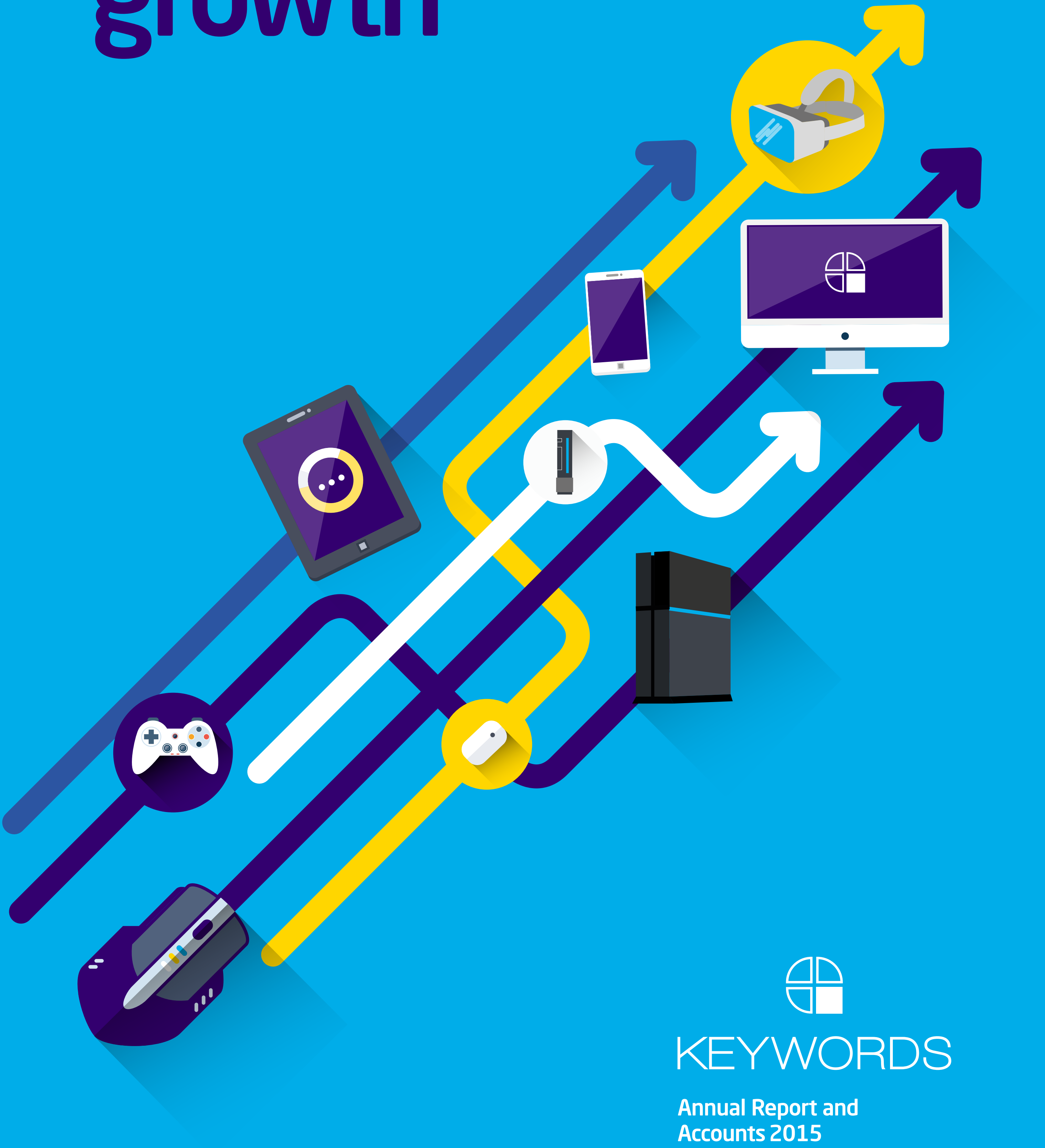
Continued growth



KEYWORDS

Annual Report and Accounts 2015

Keywords is the leading international technical services provider to the global video games industry.

Established in Dublin in 1998, it now has operations in Rio de Janeiro, Montreal, Mexico City, Los Angeles, Seattle, Portland (Oregon), Tokyo, Singapore, New Delhi, Pune, Rome, Milan, Barcelona, Madrid, London, Dublin, Shanghai, Manila and Beijing.

It provides art creation, audio recording, localisation, testing, and customer support services across 50 languages and games platforms to a blue chip client base in more than 15 countries.

Its customers comprise many well-known multi-national games publishers and developers including 20 out of the 25 largest games companies by revenue.*

Ross Graham
Chairman

"2015 saw another year of good progress for Keywords, in which the Group delivered strong like for like growth, supplemented by selective acquisitions which have further expanded our range of services and geographical reach and reinforced our market leading position. We therefore look forward to 2016 and beyond with confidence."

* Source: NewZoo, December 2015.
** Calculated on the basis of revenues being included for 2015 acquisitions from the date of acquisition and for the same period in the prior year.

Highlights

OPERATIONAL HIGHLIGHTS

Strong like for like** growth of 20%

70% increase in number of clients using three or more Group services

New client wins have included Oculus VR, Amazon, Gearbox, Fincon, Net Marble and Obsidian Entertainment

Significantly extended service capabilities and geographical reach through four acquisitions:

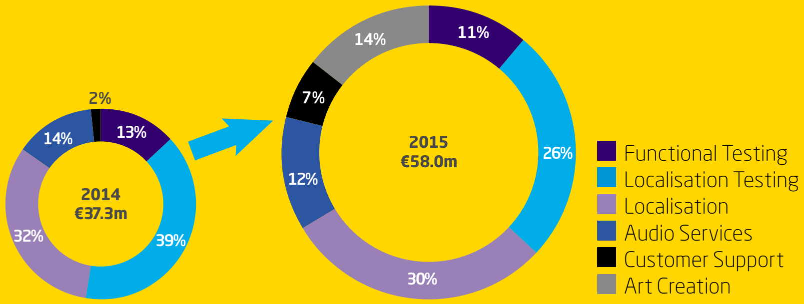
- Alchemic Dream provided entry into customer support services
- Rio de Janeiro based localisation and audio firm, Reverb, provided first office in the fast growing South American market
- Madrid and Mexico City based audio and localisation firm, Kite Team, provided further penetration of South America
- Portland, Oregon based Liquid Development increased scale in the buoyant art creation market

Sunny Yú from Evolve

2014 – 2015

FINANCIAL HIGHLIGHTS

Split of revenue by service line



Group revenue (m)

€58.0m

↑55%

Adjusted profit before tax (m)

€8.0m

↑57%

Total dividend (p)

1.21p

↑10%

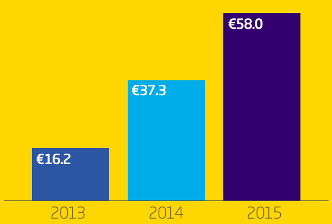
Adjusted basic earnings per share (c)

12.71c

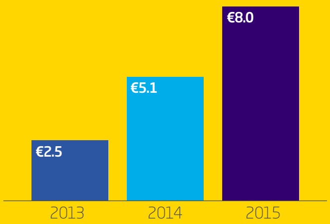
↑49%

FINANCIAL TRACK RECORD

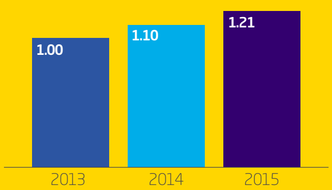
Group revenue (m)



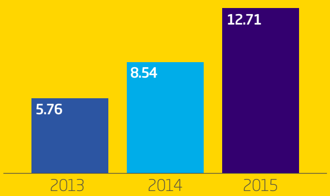
Adjusted profit before tax (m)



Total dividend (p)



Adjusted basic earnings per share (c)



STRATEGIC REPORT
01-25

GOVERNANCE
26-34

FINANCIAL STATEMENTS
35-74

Visit the website for further information
www.keywordsstudios.com

Continued growth

ART CREATION
The creation of graphical art assets for inclusion in the video game including concept art creation, 2D and 3D art asset production.

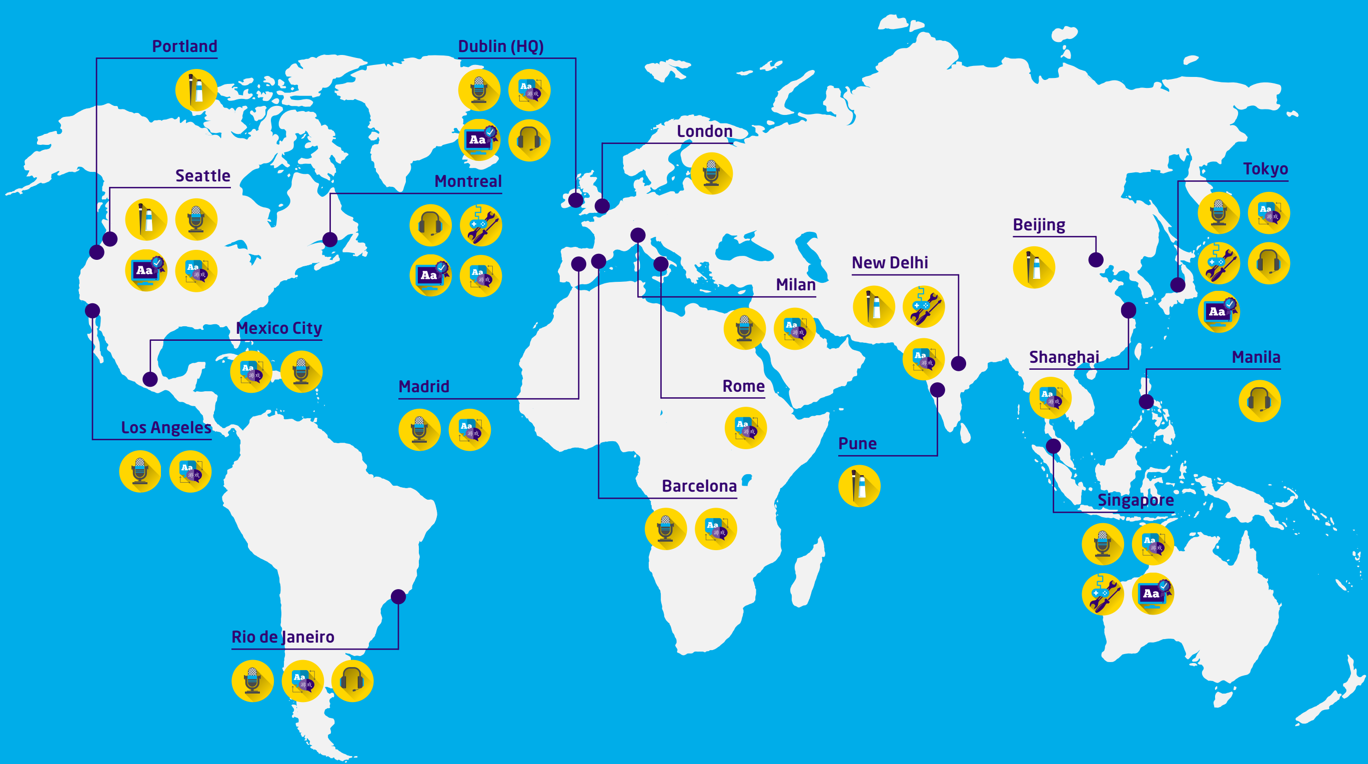
AUDIO/VOICEOVER SERVICES
Multi-language voiceover recording, original language voice production and related services.

LOCALISATION SERVICES
Translation of in-game text, audio scripts, cultural and local adaption, accreditation, packaging and marketing materials in over 50 languages.

FUNCTIONAL TESTING
Quality assurance including discovery and documentation of game defects and testing to verify the game's compliance with console manufacturers' specifications.

LOCALISATION TESTING
Testing for out of context translations, truncations, overlaps, spelling, grammar, age rating issues and console manufacturer compliance requirements in over 20 languages using native speakers.

CUSTOMER SUPPORT
24/7, multi-lingual customer support for games in live operation, forum monitoring and moderation services and social media engagement on behalf of the game brand.



The Group now has 19 studios strategically located to provide full, integrated services to local and global clients in key gaming clusters across four continents. Since the beginning of 2015, we have expanded organically and by acquisition into new locations including Portland (Oregon), Barcelona, Madrid, Rio, Mexico City, Shanghai and Manila.

50+

Providing services across more than 50 languages

14

and 14 games platforms to a blue chip client base in over 15 countries

20

serving 20 of the top 25 games companies by revenue

19

from 19 studios worldwide

Keywords services 20 of the top 25 games companies by revenue*...

Tencent Games
EA Electronic Arts
Activision Blizzard
Sony Computer Entertainment
Microsoft Studios
WB
King
NCSOFT
NEXON
Nintendo
zynga
DeNA
SQUARE ENIX
Google
Disney Interactive
T2 Take Two Interactive
BANDAI NAMCO
SEGA
UBISOFT
KONAMI

... and 7 of the top 10 mobile games developers by revenue**...

SUPERCELL
MZ Machine Zone
glu
King
EA Electronic Arts
KABAM play for real.
Blizzard Entertainment

... and has won several new clients.

oculus
amazon.com
netmarble Games
OBSIDIAN Entertainment

* Source: Newzoo, Top 25 Games Companies by Revenues, December 2015.
** Source: PocketGamer.biz, Top 50 Developers of 2015, March 2015.

Continued organic and acquisitive growth

2015 has been another year of strong progress in delivering against the ambitious strategy we set out at the time of the Group's flotation in 2013, both organically and by acquisition.

As a result, the Group's revenues have grown from €16.2m in 2013 to €37.3m in 2014 and €58.0m in 2015. Like for like growth has been strong at over 20% in each of the past two years, with stable net adjusted operating margins of approximately 14% in 2015.

During this two year period Keywords has firmly established itself as the leading services provider to the global games market, with an impressive range of services and a reputation for high quality, secure and timely delivery of those services. In addition to the Group's traditional service lines of localisation and localisation testing, we now hold strong positions in functional testing, art outsourcing and audio and a growing capability in customer support.

Managing Growth

As Keywords has continued to expand at a pace, we are making good progress in developing our infrastructure, including sales, marketing and management processes and information, and putting in place a structure to manage the business both along service lines and by geography. A key focus for 2016 will be IT and finance.

We continue to successfully embed the Keywords culture across our new operations under the strong leadership from our senior executives, nearly half of whom joined Keywords through the acquisitions made in 2014 and 2015.

The Business Model

Although the core elements of the business model are described elsewhere I believe its attributes deserve to be recognised as an important feature of the business and its evolution. Keywords largely charges for its services on a time basis, without the risk associated with fixed price contracts, and it is able to flexibly meet client demand by using well developed pools of contractors to supplement its permanent staff as required. Most of its assignments are repeat in nature, with services to existing customers typically accounting for around 80% of revenues. Customers pay monthly for work undertaken in the previous month and the Group's capital expenditure requirements are low, leading to a strong profit to cash conversion rate. Keywords must deliver good quality service to a demanding set of customers against set deadlines; our track record shows a high level of customer satisfaction, which is testimony to the skill and commitment of Keywords' operatives.

People and Culture

I have already touched on the qualities required, and in evidence, by the top team at Keywords, all of whom display a commitment and belief that Keywords will succeed in its strategy to become the clear market leader in its field. On behalf of the Board and the shareholders, I'd like to thank everyone who works for us for all their individual contributions to our past and future success.

Shareholders and Dividend

In November 2015, shareholders supported us with a successful placing in which £10.5 million was raised to fund continued value-enhancing acquisitions by the Company. Through the placing, we were able to welcome several new institutional shareholders and we would like to thank all of our shareholders for their support. We look forward to continuing to deliver shareholder value, building on the share price progression we have seen in line with our underlying trading performance over the last couple of years.

In line with its progressive dividend policy, and allowing for the need to retain resources to fund future growth of the Group's business and its strategic aims, the Board is pleased to recommend a final dividend of 0.81p per share which, following the interim dividend payment of 0.40p per share, will make the total dividend for the year ending 31 December 2015 1.21p per share, an increase of 10% on 2014. Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 23 June 2016 to all shareholders on the register at 3 June 2016.

Current Trading, Prospects and Outlook

The current year has started well with the Group trading in line with our expectations and the recent acquisitions of Ankama and Mindwalk have both strengthened our customer service and art creation services and brought a strong presence in the Philippines and China, respectively.

The video games market continues to grow strongly, at around 8%* per annum. The complexity of taking ever more sophisticated games to market in multiple geographies and on multiple platforms, means developers and producers are increasingly seeking to outsource elements of their game production and live operations support. Keywords is well placed to take advantage of these trends without dependence on any individual game.

We expect to make further progress during 2016 with continued organic momentum in the business, as well as realising further synergies, benefiting from the full year effect of our 2015 acquisitions and from the acquisitions of Ankama and Mindwalk in 2016. We are also actively reviewing a number of acquisitions with the potential to further complement our continued strong organic growth. We, therefore, look forward to 2016 with confidence.

Ross Graham
Chairman

* Source: NewZoo, June 2015.

Investment Case

Reasons to invest in Keywords

A

ACCESS TO A LARGE, HIGH GROWTH MARKET

Keywords operates in an exciting high growth market which is predicted to grow at a Compound Annual Growth Rate (CAGR) of +7.9% over the next three years, reaching $113.3 billion by 2018 (Source: NewZoo, 2015), without direct exposure to the successes or failures of individual game titles. The increased sophistication of games and the growing complexity of their delivery to market is driving the demand for larger scale, professionalised outsourced specialists, such as Keywords.

B

MARKET LEADING POSITION

Keywords' Directors believe that the Group has achieved a market leading position as the only provider of fully integrated outsourced technical services to the global video games industry, now providing services across more than 50 languages and 14 games platforms to a blue chip client base in over 15 countries from 19 production studios across four continents. It has gained a reputation in the industry for quality, reliability and flexibility, as demonstrated by its strong client relationships which include working with 20 of the top 25 traditional games developers, and 7 of the top 10 mobile developers. The market for services to video games companies remains highly fragmented, with few global suppliers despite clients increasingly looking at moving to fewer, larger suppliers. In this context, Keywords' market leadership places it well to take advantage of the clear opportunities to consolidate the market further.

C

STRONG TRACK RECORD OF GROWTH, BOTH ORGANICALLY AND THROUGH ACQUISITION

Since IPO we have delivered on our strategy to make Keywords the 'go to' global provider for outsourced video games technical services. We have successfully acquired and integrated ten acquisitions since IPO adding two new services, Art Creation and Customer Support, as well as enhancing our capabilities in existing service lines. We have also grown Keywords' network of studios to have a presence in 13 countries (compared to five at the time of IPO). In the year to 31 December 2015, this resulted in a 55% increase in Group revenues which includes a 20 % increase in revenue growth on a 'like for like' basis (i.e. excluding the impact of acquisitions).

D

SIGNIFICANT OPPORTUNITY TO GROW OUR GEOGRAPHICAL REACH, SERVICE CAPABILITIES AND CLIENT RELATIONSHIPS

Having made strong progress in extending the Group's client base, market penetration and service lines, there remain a number of opportunities for the Group to use its existing expertise, multi-service platform, scale and global reach to consolidate its position as the leading provider of outsourced services to the video games industry. Our key priorities in the near to medium term are to extend our presence in China, which is the world's largest gaming market; to further build upon our recently created art services business, to extend the geographical reach and language capability of existing services; and to broaden our relationships with existing clients, including through dedicated teams providing managed services.

E

A BUSINESS MODEL THAT SUPPORTS GROWTH

Keywords' flexible resourcing model and relatively low working capital and capital expenditure requirements support its ability to grow the business whilst also achieving strong cash conversion. With flexible work forces and the use of extensive in-country freelance networks we can flex up or down to meet the highly agile requirements of projects and scale up in the peak production period. Most of its assignments are repeat in nature, with the same services to existing customers typically accounting for around 80% of revenues. Our business is not exposed to the uncertainties of fixed price, fixed term contracts for project deliveries. Instead, we charge per hour, per man month, per word or per asset created and with low capital expenditure requirements, the business has good profit to cash conversion.

The leading provider in a large, growing market

1

STRONG GROWTH IN CONTENT SET TO CONTINUE

The global video games market is expected to continue to experience healthy revenue growth, with NewZoo predicting the global market will reach $113.3 billion by 2018, representing a 2014 to 2018 Compound Annual Growth Rate (CAGR) of almost 8% (NewZoo report, 8 June 2015). Particularly fast growth in Latin America, where revenues increased by 18% in 2015, and China, where sales were up 23% year on year in 2015, creates the need for high quality localisation and testing of original content.

The latest generation of consoles (Xbox One and PlayStation 4), which initially launched in late 2013, have now reached combined worldwide sales of well over 40 million units[1].

With this more established installed base encouraging more games developers to produce new and exciting material, many will look to outsourced solutions such as Keywords to support the art creation, localisation, testing and aftercare for their games.

2

INCREASED COMPLEXITY FOR DEVELOPERS AS PROLIFERATION OF GAMES PLATFORMS CONTINUES

With continued growth in the quantity, size and richness of content (both graphic and audio quality), the market for (smart) phones and tablets is predicted to grow at an impressive 15.9% CAGR, from over $30.0 billion in 2015 to $44.2 billion in 2018[3], ultimately taking 39% of the global games market. Keywords is heavily tapped into this given its exposure to 7/10 of the top mobile games producers; working on several of 2015's top selling mobile games[4], including Game of War, Clash of Clans and Candy Crush Saga.

Although Virtual Reality is still at the beginning of its lifecycle, and cannot yet be considered 'the Fifth Screen', its eventual success is undeniable, with Google, Sony, Samsung and Facebook among the many tech giants investing heavily in VR technology. NewZoo believe that in the long term, game interaction will no longer require a screen, and that augmented reality will become common-place in the video games market. Eventually this will begin to take revenue share from the current PC and console markets, but with only a small core group of computer gamers indulging in the initial technology, the tipping point is likely to occur later in the technology's development phase.

3 Global Games Market Report 2015, NewZoo.
4 Top Grossing iPhone mobile gaming apps in the US as of Nov 2015, Statista.

3

RICHER AND CONTINUALLY UPDATED CONTENT SUPPORTED BY HIGHER PERFORMANCE GAMES PLATFORMS

Games platforms have become ever more sophisticated, with the increased connectivity, processing power, storage and bandwidth capabilities of both smartphones and consoles, allowing them to support more complex, rich and interactive content. This higher definition content, which takes longer and costs considerably more to create, is driving games developers towards outsourced providers such as Keywords to supply the specialist support they require.

This trend is evident in existing platforms such as the Xbox One and PS4, and is likely to become even more prevalent as Virtual Reality content becomes more and more in demand.

The 'connected' nature of the new generation of consoles, as well as mobiles and PCs, supports an increase in content through the delivery of continuous game content updates and new modules in order to retain existing games users in the game, whilst this continuous engagement with players also generates a greater need for ongoing customer support.

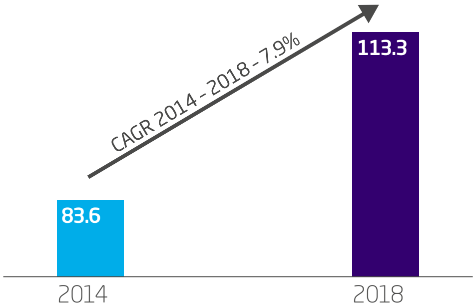
The global video games market is predicted to grow significantly, with NewZoo forecasting a CAGR of 7.9% from $83.6bn in 2014 to $113.3bn in 2018.

Growth isn't just limited to traditional consoles. Mobile, social and online gaming are growing at an even faster rate, given the wide demographic that has access to them (a recent survey of the US entertainment software market by the Entertainment Software Association revealed that 48% of all game players are women, and the average age of a gamer is 31[2], dismissing the assumption that the market is mainly made up of young males).

1 TechTimes, Nov 2015.
2 Essential Facts about the Computer and Video Game Industry, 2014.

Global games market size by 2018 ($bn)

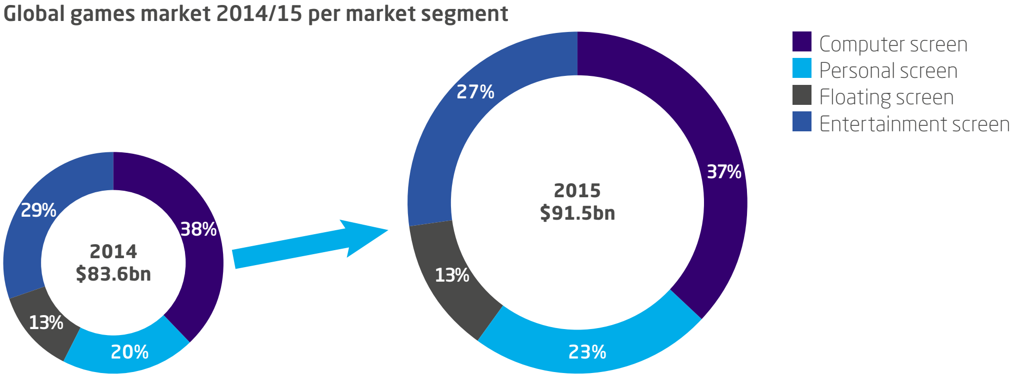
$113.3bn
↑7.9% CAGR



Revenues per screen (bn)

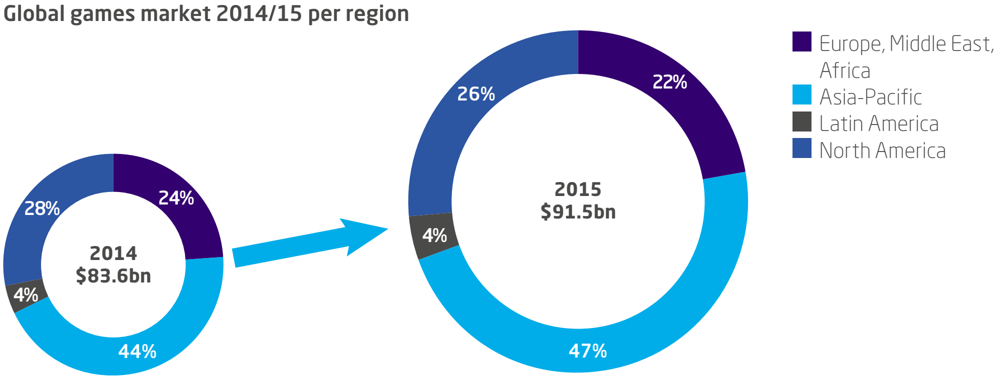
$91.5bn
↑9% YoY

Global games market 2014/15 per market segment



China overtakes USA as largest games market by revenue, driving strong growth in Asia-Pacific.

Global games market 2014/15 per region



Growing both organically and by acquisition

MARKET TRENDS

1

STRONG GROWTH IN CONTENT SET TO CONTINUE

2

INCREASED COMPLEXITY FOR DEVELOPERS AS PROLIFERATION OF GAMES PLATFORMS CONTINUES

3

RICHER AND CONTINUALLY UPDATED CONTENT SUPPORTED BY HIGHER PERFORMANCE GAMES PLATFORMS

STRATEGIC PRIORITY | 2015 PROGRESS

DEVELOPING CUSTOMER RELATIONSHIPS AND OUTSOURCING

- New clients have included Oculus VR, Amazon, NetMarble Games and Obsidian Entertainment.
- Clients using three or more Group services grew by 70% to 51 clients in 2015.

Managed service operations set up at Keywords studios for two clients, providing clients with dedicated teams for pre-agreed activity levels.

See more on Page 17

EXTENDING OUR SERVICES

- Extended our art services operation to establish a studio in Seattle to interface closely with games studios there while also managing much of the production in India.
- Established multi-lingual customer support operations in Tokyo, Montreal and Dublin.
- 12 of our studios across America, Asia and Europe are now able to offer multiple services.
- On an annualised basis, our art creation services accounted for 20% and customer support accounted for 7% of 2015 Group revenues.

See more on Page 16

EXPANDING OUR GEOGRAPHICAL REACH

- Leveraged existing studio locations to establish operations in Seattle and Barcelona organically and expanded in Montreal.
- Entered South America and expanded into Madrid via acquisitions.
- Established presence in Shanghai.
- During 2015, the Group grew its global presence from 14 to 19 locations, now across four continents.

See more on Page 18

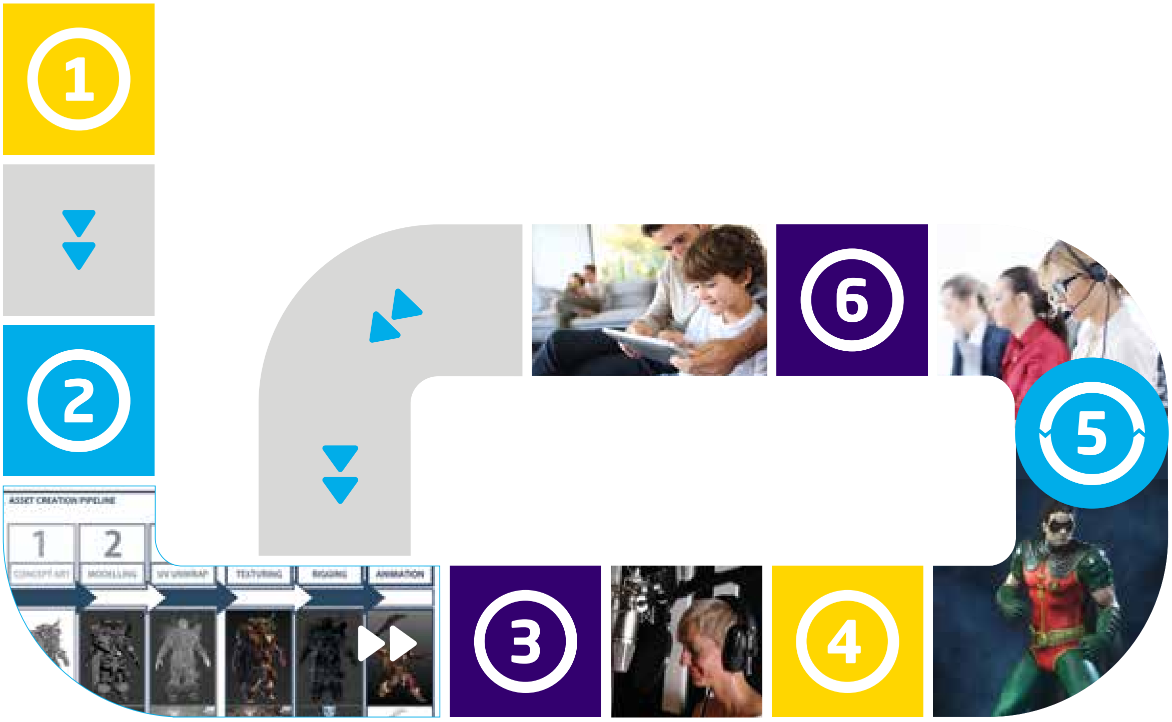
SELECTIVE ACQUISITIONS

- Rio based localisation and audio firm, Reverb, provided first office in the fast growing South American market.
- Alchemic Dream provided entry into customer support services.
- Spanish audio and localisation firm, Kite Team, provided further penetration of South America.
- Oregon based Liquid Development increased scale in the buoyant art creation market.

See more on Page 19

Our Business

The Keywords Business – what we do in brief



Keywords provides outsourced technical services to the global video game industry which assist developers and publishers to develop, sell and operationally support their games across all games platforms and throughout the games cycle.

Services are delivered through 19 production facilities ('studios'), which are strategically located across Europe, Asia and the Americas to be close to our clients or as lower cost centres, and through the provision of managed services either on clients' or our premises.

The Company's reputation for quality and reliability combined with its scale, which provides the flexibility to deliver client needs locally, with the right mix of languages, services and costs, positions Keywords as the 'go to' supplier for games services.

1. PRE-PRODUCTION

- Concept art
- Level design

2. EARLY STAGE GAME DEVELOPMENT

- Programming
- Story writing
- Motion capture
- Development quality assurance
- Game trailers
- Art production
- Audio production
  - Original language voice production
  - Music scoring
  - Sound design

3. LATER STAGE GAME DEVELOPMENT

- Functional testing
- Text localisation
- Audio localisation
- Localisation testing
- Cinematics/visual effects
- Player research

4. LAUNCH

- Certification testing
- Marketing

Services Keywords Studios currently provide.

Services Keywords Studios do not currently provide.

5. ONGOING LIVE OPERATIONS SUPPORT

- Customer support
- Community management
- Data analytics
- Payments processing

6. NEW CONTENT FOR GAMES

including game extensions, level expansions and issue patches

Another year of good progress

2015 saw another year of good progress for Keywords, in which the Group delivered healthy like for like growth, supplemented by selective acquisitions which have further expanded our range of services and extended our geographical reach.

Prototype desert creature by Lakshya Digital

Strong like for like growth of 20% was driven by our art creation, localisation and audio service lines in particular. In addition, we continued to deliver on our industry consolidation strategy by acquiring four companies during 2015 and a further two since the year end. These acquisitions have expanded our service offering into player support and community management services to support games in live operations and have extended our reach geographically to Mexico and the Philippines. Additionally, our acquisitions of Liquid Development and Mindwalk added further scale to our activities in the buoyant art creation market which we entered in 2014 with the acquisition of Lakshya.

We have also made good progress on the integration of the acquisitions we made in 2014 and in 2015. We have put in place a management structure which combines global management to drive and coordinate the six service lines that now make up Keywords Studios with regional and country management to ensure the appropriate local support is in place.

Results Overview

Including the effect of acquisitions, the Group's revenues increased by 55% to €58.0m (2014: €37.3m) during the period, reflecting growth across all lines of business as outlined in the Operational Review section from page 12. In order to provide a better measure of organic revenue growth in the businesses that Keywords now owns, we are also providing like for like revenue growth, which provides a 2014 comparative as if all of the 2015 acquisitions had been owned for the same period in 2014 as they have been in 2015. On this measure, organic growth was approximately 20% in 2015.

"The Group's revenues increased by 55% to €58.0m (2014: €37.3m) during the period, reflecting growth across all lines of business."

Gross profit margins increased to 37.6% (2014: 34.0%) reflecting a combination of the increase in our higher margin art creation services as a proportion of the revenue mix, and the maintenance or increase of our margins in the other service lines.

The Group reported adjusted profit before tax (before share option charges, amortisation of intangible assets, costs of acquisition and integration, and foreign currency movements) for 2015 of €8.0m (2014: €5.1m). Statutory profit before tax for the period was €5.1m (2014: €3.4m).

The Group's effective tax rate has decreased as we make better use of our brands, operating models and tools from our Dublin operational headquarters in support of our business around the world, much of which is in higher tax rate jurisdictions including Canada, the US, Japan, India and Italy. The Group's effective tax rate based on the KWS measure of profit before taxation in the period (as set out on page 23) was 22.9% (2014: 24.0%).

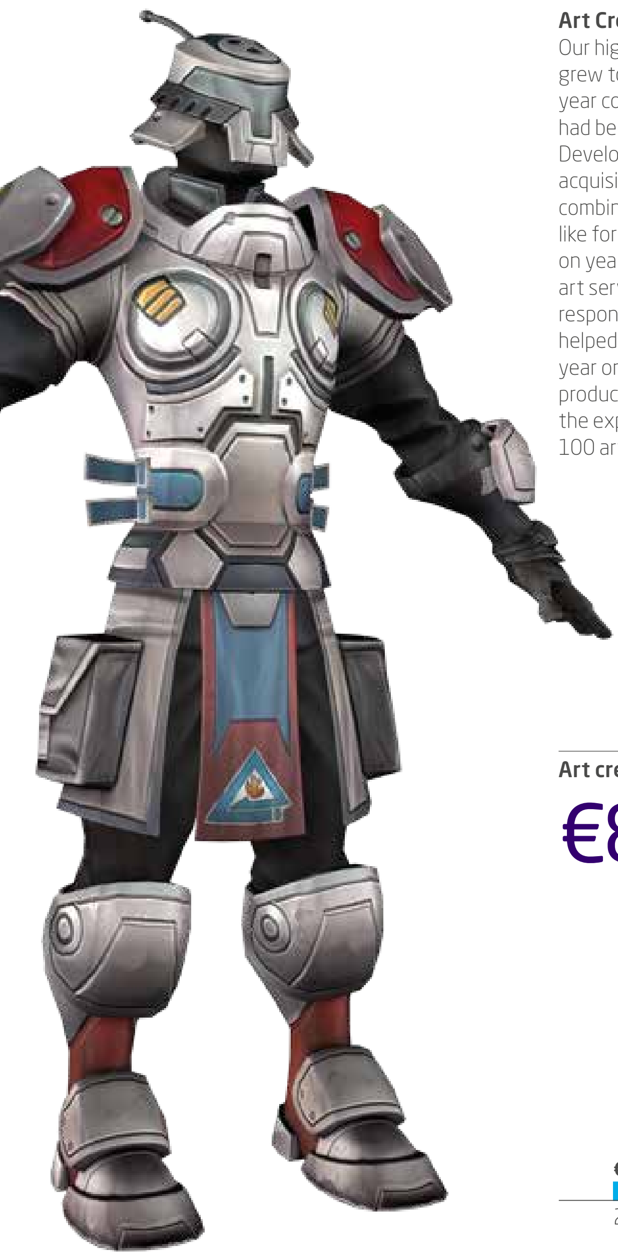
Basic earnings per share for the year, before one-time costs of acquisitions and integration, share option charges, amortisation of intangibles, and foreign exchange movements, was 12.71c compared with 8.54c for 2014. After these items, the basic earnings per share from continuing operations was 6.98c (2014: 4.94c).

37.6%

Gross profit margins

Batman from Batman: Arkham Knight

A Mordesh from Wildstar



Operational Review

Having acquired Alchemic Dream in January 2015 we effectively began the year with six service lines – two more than at the start of 2014. All six service lines grew like for like sales during the year and four were positively impacted by acquisitions. A segmentation of the Group's revenues by service line is provided in the Financial and Operating Review.

Art Creation

Our higher margin, art creation services revenue grew to €8.2m (2014: €0.6m), reflecting a full year contribution in 2015 from Lakshya, which had been acquired in October 2014, and Liquid Development's contribution following its acquisition in August 2015. Importantly, the combined art creation businesses have delivered like for like growth of approximately 70% year on year, reflecting the high market demand for art services and our investment in talent to respond to this opportunity. This investment helped Lakshya to almost double its revenues year on year supported by the opening of a production studio in Seattle in May 2015 and the expansion of its art team in India by over 100 artists during 2015.

The acquisition of Liquid Development in August 2015 gave the Group further scale, bringing with it additional capabilities in video game art production as it works for game developers involved in producing console, online, PC, mobile and console games as well as interactive experiences for theme parks. Liquid Development and Lakshya are starting to work well together and we remain encouraged by their performance and growth plans.

The objective for our art creation services line is to grow capacity to meet demand, whilst maintaining our reputation for quality and reliability of delivery to our customers' timescales. In addition, we aim to extend our capabilities to areas such as concept art (taking us right to the very start of the game development cycle) and visual special effects.

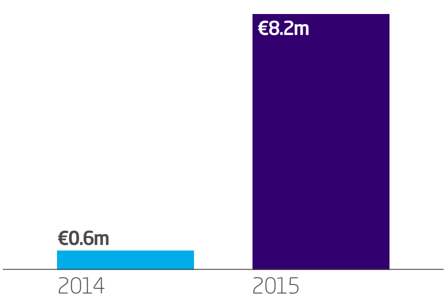
The acquisition of Mindwalk Studios in Beijing which was announced after the year end and is dependent on the fulfilment of certain acquisition related conditions, will add further capacity both in its existing 150 artists and in its access to the wider talent pool of game artists in China.

Localisation

Localisation activities, including contributions from Reverb, Alchemic Dream and Kite Team, which were acquired in the year, increased revenues by approximately 43%, to €17.1m (2014: €12.0m) and accounted for approximately 30% of Group revenue.

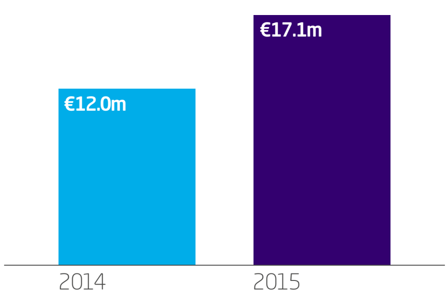
Art creation services

€8.2m



Localisation services

€17.1m



€17.1m

Localisation activities revenues

> "All six service lines grew like for like sales during the year and four were positively impacted by acquisitions."

With an output of some 90 million translated words in 2015, our games localisation business is now the largest specialist games business in the world and we continue to pursue growth opportunities in what remains a highly fragmented market. A resolute focus on quality, on-time delivery and cost effectiveness helped see this service grow its like for like revenues by approximately 26% aided by strong volume growth of existing clients and new clients wins.

Functional Testing

Our functional testing service, which accounted for approximately 11% of Group revenue in 2015, increased revenues by approximately 30% to €6.5m (2014: €5.0m). On a like for like basis, revenues grew by approximately 17%.

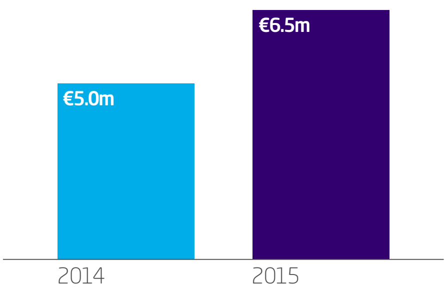
Gross margins also improved, a testament to Keywords' ability to manage large multi-month testing projects alongside projects of only a few days, whilst ensuring high levels of staff utilisation through its flexible staffing model.

Localisation Testing

Our localisation testing operations, which accounted for 26% of Group revenue in 2015, grew by a relatively modest 2% to €15.0m (2014: €14.7m).

Functional testing

€6.5m



OUR BUSINESSES

KEYWORDS

LAKSHYA – A KEYWORDS STUDIO
REVERB LOCALIZATION – A KEYWORDS STUDIO
LIQUID DEVELOPMENT – A KEYWORDS STUDIO
ALCHEMIC DREAM – A KEYWORDS STUDIO
liquid violet – A KEYWORDS STUDIO
KITETEAM – A KEYWORDS STUDIO
BABEL – A KEYWORDS STUDIO
binarisonori – A KEYWORDS STUDIO

€8.2m

Art creation services revenue

€15.0m
Localisation testing operations revenues

The performance of localisation testing reflects the phasing of activity from certain key clients which had fewer titles in 2015 compared to 2014. Those clients are expected to return to higher levels of activity in 2016 as they increase their pipeline of titles to be released this year.

Audio

Our audio business increased revenues by approximately 41% to €7.2m (2014: €5.1m), including contributions from Reverb and Kite Team which were acquired in January and July respectively. On a like for like basis, revenues in our audio service line grew by approximately 23%.

Providing single language Brazilian Portuguese, Latin American Spanish and Iberian Spanish audio recording and production services, Reverb and Kite Team have won tenders from game publishers who source each language separately. Publishers who adopt a multi-lingual approach use the services of our Binari Sonori business which has proven expertise gained over many years in managing simultaneous production of audio voiceover recordings in 20 or more languages.

Customer Support

In January 2015 we acquired Alchemic Dream which provided us with an entry point to providing customer support services. This new customer support business achieved revenues of €3.9m (2014: €nil), accounting for approximately 7% of Group revenues and a 10% increase on a like for like basis.

Alchemic Dream uses a network of multi-lingual agents working remotely but connected through technology platforms to deliver its customer support services. We have begun to build upon this capability by utilising our existing international production facilities and talent pool of over 1,000 employees, enabling us to provide customer support and community management teams out of our studios in Tokyo, Singapore, India, Dublin and Montreal. We believe it will be an advantage to both clients and users for Keywords' teams, who have already garnered deep knowledge of all aspects of the game through their involvement in the production and launch phases of a game, to provide ongoing live operational support to those games.

We anticipate that this approach will support good, profitable growth in this service line in future years.

Delivering Our Strategy

We have made strong progress in delivering on our strategy to grow Keywords Studios both organically and by acquisition to extend the Group's client base, service lines and geographical penetration, where the Group can use its existing expertise, multi-service platform, scale and global reach to generate synergies in a highly fragmented games services industry. We are particularly pleased to have both established a substantial capability in the higher margin, art creation services, which means that we are now working with clients at an earlier stage in the game development cycle, and that we now have a much better balanced business across the six service lines. The Board believes that there is a clear opportunity for Keywords to extend its existing relationships with many of the major games companies both through providing additional services to existing customers and through providing dedicated outsourced services.

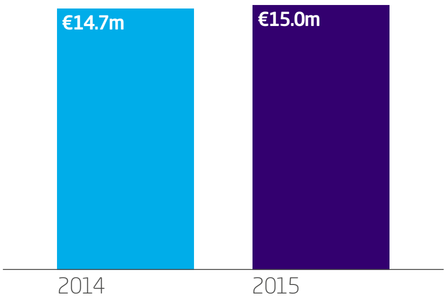
In addition, we believe that content in its many forms is becoming more interactive and, as highlighted at the time of the IPO, we continue to maintain a watching brief on some closely adjacent markets to that of video games in the expectation that at some point our expertise in what is the most interactive form of content, video games, will become highly relevant to other industries such as e-learning, film and television and online gambling.

People

Increasingly, we see evidence of the Group becoming a home for top talent in our industry. Rather than chase the production of game after game from development studio to development studio, talented artists, producers, project managers and testers can work at Keywords where the games come to them. In addition to externally recruited management and production talent, we continue to develop our people internally across all our businesses and we have benefited greatly from some strong additions to our senior leadership team following the acquisitions we have made. The Group employed an average of 1,273 people in 2015 (2014: 978).

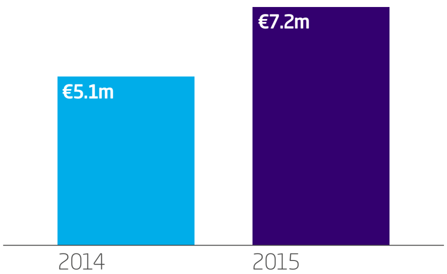
Localisation testing

€15.0m



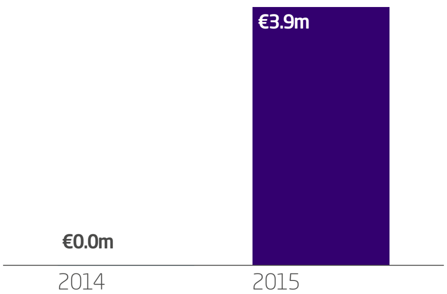
Audio/voiceover services

€7.2m



Customer support

€3.9m



€7.2m

Audio business revenues

Outlook

Trading in the first two months of the current financial year has been in line with the Board's expectations. As expected, 2015 was the first, solid, post transition year following the launch of the new Xbox and PlayStation platforms in November 2013. With 2016 being the year in which Virtual Reality is launched by a number of headset providers including Oculus, Sony and Valve, we anticipate that 2016 will bring further strength in the console sector while our mobile, social and online games content related business should continue to perform strongly.

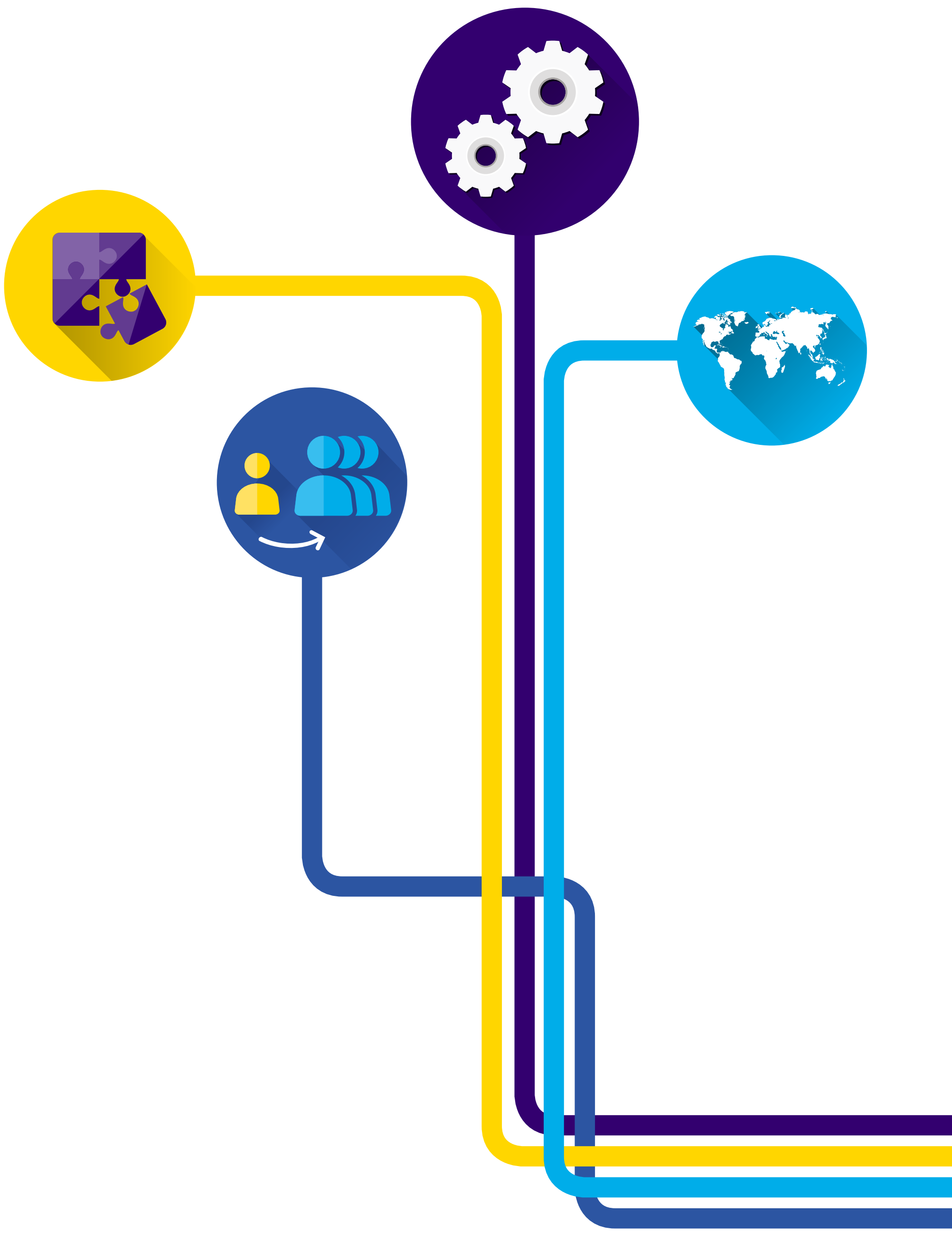
High demand for our art outsourcing services at Liquid Development, Lakshya and now Mindwalk is expected in 2016 and, as in 2015, we anticipate good organic growth from this service line which we plan to build upon through further selective acquisition opportunities. The establishment of an art studio in Seattle in 2015 is starting to bear fruit as we benefit from proximity to a number of clients in the area, proving the model of having lead artists and art managers close to the client while undertaking the majority of the production in our studios in India.

Our audio service line, which is currently under-weight compared to the other services in the Group, is targeted for expansion. In particular, we are promoting our single language capabilities for Italian, Spanish, Latin American Spanish and Brazilian Portuguese, where we have in territory recording studios, and for Arabic, where we have become a go to provider for this complex but fast growing language. We also have a pipeline of potential acquisitions in this area.

We expect to make continued good progress during 2016, as we realise the full year benefits of our 2015 acquisitions and as they are integrated further. By capitalising on the synergies across the group, from sharing access to our talented people and production facilities, to leveraging our established client relationships, global sales force and marketing spend across all service lines, we anticipate driving continued strong organic growth, complemented by further selective acquisitions.

Andrew Day
Group Chief Executive Officer

STRATEGIC PRIORITIES



STRATEGY IN ACTION

EXTENDING OUR SERVICES

ART CREATION IN FOCUS

Outsourced art services to the video games industry is a key area for expansion for Keywords as it is a buoyant, large and highly fragmented market which also provides Keywords with earlier involvement in the development cycle of video games titles.

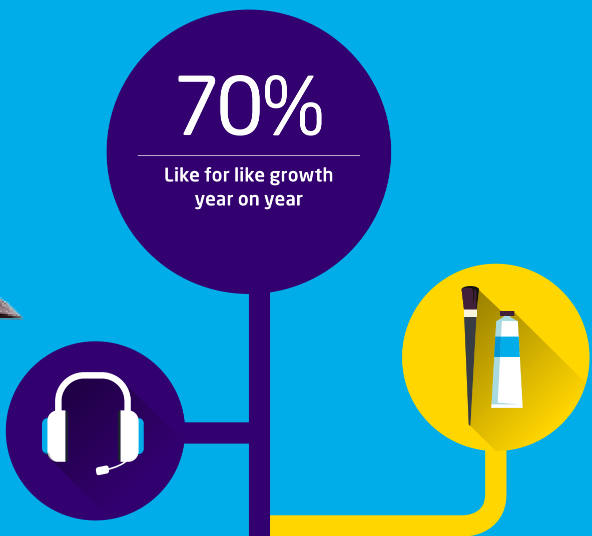
Art creation is the design and rendering of all video game visuals ('art assets' such as characters, clothing, vehicles, landscapes, cityscapes). Computer graphics have developed enormously in the past 20 years. All of the art in a video game is hand-crafted, with the characters and other art assets becoming more sophisticated and detailed. The increased capabilities of games platforms, such as the latest generation of consoles, has materially increased the time required to design and render a core character. For example an art asset that used to take approximately 20 man days on the Xbox 360, may now take 40 days for the Xbox One.

In October 2014, Keywords Studios acquired Lakshya Digital, a leading provider of outsourced art services for the video games industry internationally which provided the company with an entry point into this fast growing market.

In August 2015, Keywords expanded its art creation offering with the acquisition of Liquid Development. We have also expanded our art creation team during 2015, hiring more than 100 additional artists in India and the US to support strong organic growth. This together with the acquisitions resulted in growth of 70% in revenue.

The acquisition in March 2016 of Mindwalk Studios in Beijing did not only deepen our involvement in this field, but has given us a meaningful base in China from which to further expand our art creation activities as well as our other service lines.

The higher margin art creation offering accounted for approximately 20% of Group revenue on an annualised basis at the end of 2015.



Storm Kestrel from Firefall

STRATEGY IN ACTION

OUTSOURCING

DEVELOPING CUSTOMER RELATIONSHIPS AND OUTSOURCING

Year on year we have expanded the number of services we provide to each of our clients. The number of clients now using three or more services grew by 70% to 51 clients in 2015.

In 2015 we expanded our relationship with two existing clients adding dedicated, managed services teams for localisation, localisation testing and community management tasks both based out of our Dublin studio.

One of the clients is a leading mobile games developer/publisher and the other develops and operates one of the world's leading online games. We are seeing increased opportunities for such managed services and single sourced arrangement given our financial solidity, our operational robustness thanks to multi-site, multi-country duplication of capabilities, and being seen as having some of the best talent in the industry.

In March 2016, we took over the live operations support team from French publisher, Ankama SAS. Based in the Philippines, this team provides a range of support services including fraud management, customer support, testing, 'bot hunting' (seeking out and neutralising automated programs that have been introduced into the game against the rules), and promotions management for Ankama's games including Dofus, Wakfu and Tactile Wars in English. We are investing in new, larger premises in Manila and will be expanding this team to provide similar services to additional game clients.

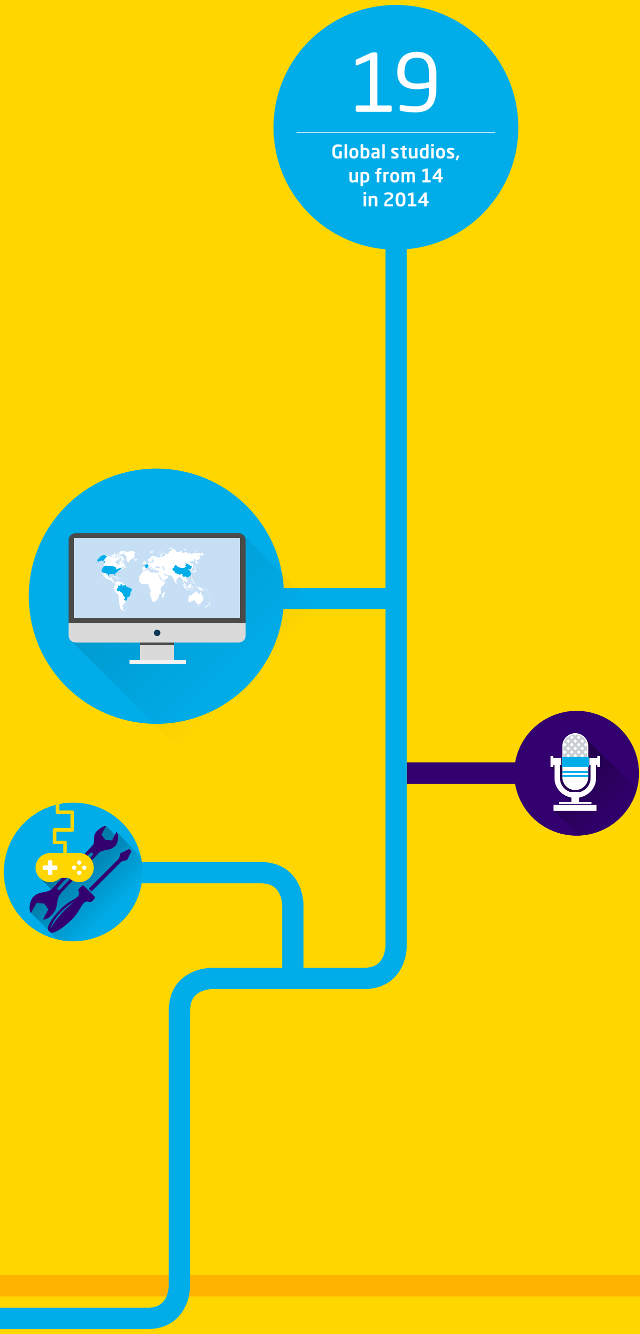
70%

Increase in number of clients using three or more Keywords services since 2014

Dropshift from Firefall

STRATEGY IN ACTION

GEOGRAPHICAL GROWTH



GEOGRAPHIC DEVELOPMENT

In order to best serve its video game developer and publisher clients and to access specific talent pools, the Group has continued to expand geographically and now has 19 (2014: 14) studios in four continents providing full, integrated video games services to both local and global clients.

Keywords' studios are strategically located to provide services to key gaming clusters in locations such as Tokyo, Singapore, Montreal, Seattle, Los Angeles and London. Since the beginning of 2015 we have expanded into new locations including Mexico City, Beijing, Shanghai, Manila and Madrid.

We have also leveraged our studio locations by housing a newly established art creation operation for Lakshya together with our existing localisation testing operations in Seattle in a new facility. Separately we have seeded our customer support operations into our studios in Rio de Janeiro, Tokyo, Montreal, Singapore, Dublin and New Delhi.

Having added Manila to our network of studios in March this year we intend to expand our operations in the Philippines during 2016, as it is an important, low cost, English proficient location ideally suited to services such as customer support and games operations management.

China continues to present an exciting opportunity for the Group. It is thought to have surpassed the US as the largest market for games and is slowly liberalising. In addition to the acquisition of Mindwalk described on page 19, we established a wholly owned foreign enterprise and an initial presence in Shanghai during the year which, in addition to undertaking business development and corporate development activities for the Group, is now starting to deliver localisation services directly from Shanghai.

Jeep design by Liquid Development

STRATEGY IN ACTION

SELECTIVE ACQUISITIONS

ACQUISITIONS

While we are particularly pleased with our organic growth, Keywords has continued to take advantage of the highly fragmented markets for video games services.

We have acquired a further six businesses since the beginning of 2015 to take the total to ten acquisitions since listing on AIM in July 2013, and we are encouraged by the way in which the acquired businesses have been welcomed into the Group and integrated through the adoption of common systems, reporting formats, sales and marketing. The globally managed service line based organisation structure implemented in 2015 further facilitates this integration process and provides management bandwidth for conducting and integrating further acquisitions.

In January 2015, Alchemic Dream, which provided us with an entry point into customer support and community management services, and Reverb, which provides localisation and audio for Brazilian Portuguese, were welcomed into the Group. In July we acquired 50% of Kite Team (localisation and audio for Spanish, Latin American Spanish and Brazilian Portuguese) and, in August, Portland, Oregon art creation services business Liquid Development joined the stable.

We have been pleased with the progress made with integrating the acquired businesses. The businesses have performed well as part of the Group and we have been very encouraged by the positive responses from customers to the acquisitions.

Since the year end we have acquired Ankama Asia Pte Ltd in a strategic outsourcing deal which provides the Group with a platform in Manila from which to further develop our customer services business with the benefit of a four year contract with Ankama SAS. In addition, we have acquired Mindwalk Studios, for a total consideration of $5.5 million, which provides outsourced art creation services to the video games industry internationally from its base in Beijing, giving us both additional art creation capacity and a strong platform from which to grow in China.

We expect acquisition activity to be a feature of the business for the foreseeable future as the Company takes advantage of its leadership position in the market and continues to consolidate carefully selected, earnings accretive businesses. We continue to review a healthy pipeline of acquisition opportunities which fall within our stated strategic goals and could provide the Group with complementary services, increased scale in our existing activities or further geographic penetration.

Managing risks efficiently

The market is highly dynamic, with technology, business models and consumer tastes evolving constantly. In this environment Keywords has the objective of becoming the leading global supplier of localisation, testing, audio, art and other related services to the industry and sees the following risks as it pursues this objective.

The Principal risks associated with the Group's strategy can be divided into:

1. General business risks for any international company;
2. Industry related risks; and
3. Those specific to the Keywords Group and its strategy.

Beyond the general business risks associated with any international company, the principal risks related to the industry or more specifically to Keywords and its strategy, as identified by the management and the Board, are set out below.

External risks

Exposure to large customers

The Company's client base principally comprises global game companies whose revenues are in the billions and hundreds of millions of dollars. Our top five clients account for 36.4% (2014: 61%) of the company's revenues. These companies have exacting standards and demand a high quality of service. Any failure in this regard or breakdown in the relationships at the top level could cause considerable damage to the business. The potential impact is partially mitigated through the Company's highly flexible resource base and its expansion continues to reduce its exposure to any single large client.

The City and investors

Keywords floated on AIM in July 2013 with an expressed set of objectives of growing the business organically and by acquisition. Should the Company lose the confidence of investors, the Company's rating will suffer and this in turn will affect its ability to raise money for or place shares to pay for acquisitions. However, the Company makes every effort to communicate regularly with investors via announcements and face to face contact and this effective communication of how it continues to execute on its stated growth strategy and successfully integrate the businesses it acquires should continue to maintain the confidence of its investors.

Sudden business interruption

Keywords is a global business and needs to minimise business interruptions and be able to continue servicing customers. This threat could be internal such as a major failure in its IT systems but also external such as the Group experienced and managed during the 2011 Tokyo earthquake and tsunami. The Group's multiple, full service delivery hubs provide for a good level of contingency and, supported by a solid business continuity plan and comprehensive insurance, the effects of such disasters can be managed.

Technology

The Company uses various third party and proprietary tools and technologies for process control and productivity purposes. Continued investment in these tools is important to ensure the Group's effectiveness. New technologies for automated testing, machine translation, crowdsourcing etc. could pose a threat to the Group in the long term. The Company participates directly and with clients in various pilot programmes for new technologies to keep abreast of the state of the art.

Keywords is a fast growing but relatively small Group operating in a wide spread geography. The markets we operate in are fragmented in terms of the suppliers of services but our client base is relatively concentrated with a number of very large, global suppliers at the head and a large tail of small, independent developers.

Internal risks

Security

The industry requires the highest standards of security within a company offering services such as Keywords. Security breaches may lead to piracy, disruption of clients' marketing plans and loss of competitive edge and could result in compensation claims. Keywords maintains physical and data security policies and procedures which are regularly audited by its larger clients.

Success of acquisitions

Keywords has an active acquisition strategy to reinforce its global growth. Managing such acquisitions successfully and embedding the Keywords culture is a crucial ingredient of success. Failure to do so will have adverse consequences such as management distraction, disposal and reduced profit. Since IPO, the Company has involved an increasing number of senior managers in the acquisition and integration process building on the considerable experience of acquisitions that exists at Board level. The management structure with globally managed service lines supported by regional management that was introduced in mid-2015 has provided further bandwidth to identify, execute and integrate acquisitions.

Service delivery

Most of Keywords' services are of a time critical nature with delays or service delivery failures potentially impacting the development or launch plans for games. Timely delivery and the resourcing flexibility to enable delivery to tight deadlines has been an integral part of the Company's modus operandi, and Keywords' approach to project management is applied across the Group. With the expansion of the Group, measures are being taken to assess ongoing delivery performance beyond the regular project post-mortems that are routinely conducted.

Cross contamination

As the Group succeeds in delivering multiple services to the same clients, so the risk of failure in one service line contaminating the relationship with the client across the other service lines increases. Adhering to Keywords' strong standards of delivery and efficient communication across service lines is key to managing this risk.

Financial risks

Adequate overseas financial controls

As a business like Keywords grows rapidly, global financial controls and regular audits need to be in place to ensure smooth, timely and accurate reporting to satisfy the relevant accounting bodies to local branches as well as the Board. The Group has invested and continues to invest in its financial reporting functions to facilitate strong reporting and management control as it grows.

Strong balance sheet for further growth

Group Performance

2015 saw continued good, profitable growth and expansion of the Group. The organic growth rate of the existing Keywords operations continued at a similar rate to that experienced in the last two years while the acquisitions made in both 2014 and 2015 have contributed strongly to the overall result.

The testing, localisation and audio service lines continued to grow strongly and were further strengthened by the acquisition of Reverb and a 50% share in Kite Team.

One notable feature of the results has been the rapid growth of art creation within the service line portfolio. This has been driven by the significant growth of Lakshya Digital which only contributed in the last three months of the 2014 results, and the acquisition of Liquid Development in August 2015.

In addition, the Group further diversified into the customer care market with the acquisition of Alchemic Dream in January 2015.

Keywords' geographic reach continued through the opening of the Barcelona studio and acquisitions in Rio de Janeiro, Portland, Madrid and Mexico City.

Revenue

Revenue for 2015 was up 55% at €58.0m (2014: €37.3m) due to both organic growth and acquisitions. The like for like revenue growth rate, which provides a 2014 comparative as if all of the 2015 acquisitions had been owned for the same period in 2014 as they have been in 2015, was 20% for the year which was the same as the 2014 organic growth and demonstrates the strong momentum the studios have managed to maintain throughout the year.

Revenue Mix

Revenues increased across all lines of business in 2015 compared with 2014, resulting in our six service lines accounting for the following proportion of Group Sales in the year:

	Year ended 31 December 2015 %	Year ended 31 December 2014 %	Pro forma* for the year ended 31 December 2015 %
Functional Testing	**11.2**	13.3	10.3
Localisation Testing	**25.9**	39.4	24.0
Localisation	**29.6**	32.0	27.6
Audio	**12.4**	13.6	12.1
Customer Support	**6.8**	0.0	6.4
Art Creation	**14.1**	1.7	19.6
Total	**100**	100	100

* Pro forma includes the annualised sales of all acquisitions made in 2015 in order to give a better overview of the balance of the business as we entered 2016.

Soldier from Batman: Arkham Knight

"The Group finished the year with a strong cash position; with net cash of €17.3m."

The proportion of sales in Asia has significantly increased during the year due mainly to the acquisition of Lakshya in October 2014 which has grown rapidly. The sales mix by region based on the Group's operational jurisdictions is as follows:

	Year ended 31 December 2015 %	Year ended 31 December 2014 %
Europe	41	46
Asia	17	9
Americas	42	45
	100	100

Gross Margin

Gross profit for the year was €21.8m (2014: €12.7m). The gross margin percentage increased to 37.6% (2014: 34.1%). The most significant impact on the gross margin in 2015 was the increase in the sales of art creation services, which achieves the highest gross margin within the Group's service portfolio. This was partially offset by the introduction of customer services which commands a lower gross margin than the Group's other services.

Operating Profit ('EBITDA')

Adjusted EBITDA is a measure of operating profit used by the Board, which excludes depreciation, amortisation, share option expenses and one-time costs related to acquisitions. For 2015, adjusted EBITDA increased 56% to €9.4m, compared with €6.0m for 2014. As a percentage of revenue, adjusted EBITDA has increased from 16.1% to 16.2%, reflecting the improvement in the Group's gross margin partially offset by an increase in operating expense as described below.

Operating expenses excluding depreciation, increased by €5.6m to €12.3m (2014: €6.7m) mainly due to the new acquisitions, the full year impact of 2014 acquisitions and the opening of the Barcelona studio. These costs increased from 18.0% to 21.3% of revenue mainly due to the operating costs ratios within a number of the acquired companies which were higher than the ratio for the core Keywords studios. Additional investment was also made in strengthening Keywords management to successfully manage the growth of the Group. We expect the operating costs as a percentage of revenue to trend towards 20% as we manage additional volume from organic and acquisition led growth within the established framework of the Group.

Operating Profit and Adjusted Profit Before Tax for Years Ended 31 December

	2015 €'000	2014 €'000
Statutory profit before tax	5,086	3,436
Add back costs excluded from Group's measure of PBT (see below)	2,812	1,618
Add back loss attributable to non-controlling interest	109	–
KWS measured profit before tax	8,007	5,054
Add back depreciation and net Interest	1,355	964
Earnings before interest, tax, depreciation, amortisation, share option costs and one-time costs related to acquisitions	9,362	6,018
Details of costs excluded from Group's measure of PBT		
Costs of acquisition and integration	1,089	1,461
Share option expense	392	156
Foreign exchange loss /(gain)	474	(467)
Amortisation of intangibles	857	468
	2,812	1,618

Deathstroke from Batman: Arkham Knight

Net Finance Costs

During 2015 there was net finance cost of €0.74m compared to a gain of €0.36m in 2014 primarily due to the impact of foreign exchange losses. Foreign exchange losses of €0.5m (2014: gain of €0.5m) were created mainly due to the weakening of sterling against the euro on the cash raised in the placing and negative impacts of movements of the US dollar against the India rupee which was offset by the weakening of the euro against the US dollar and, within Babel Media, the Canadian dollar against the US dollar. The increase in interest expense to €0.12m (2014: €0.06m) is largely due to the interest on a €1.1m loan to fund the MMTC receivable for 2013 in Canada and €0.6m of loans which we acquired with the Kite Team acquisition.

Adjusted Profit Before Tax

Adjusted profit before tax is used by the Board to measure the more meaningful underlying profit generation of the Group. This measure excludes one-time expenses, such as acquisition and integration costs, share option expenses, foreign currency gains or losses and amortisation of intangibles. Adjusted profit before tax for 2015 increased by 59% to €8.01m compared with €5.05m in 2014.

Taxation

The Group's effective tax rate reduced to 22.9% (2014: 24%) as the Group looked to make better use of its global operating headquarters in Ireland in the year. This will continue during the next year and we would anticipate a further reduction in the effective tax rate.

Basic Earnings Per Share

Basic earnings per share for the year, before one-time costs of acquisitions and integration, share option charges, amortisation of intangibles, and foreign exchange movements, increased by 49% to 12.71c compared with 8.54c for 2014. Basic earnings per share based on the statutory profit after tax was 6.98c (2014: 4.94c).

Cash Flow and Debt

The Group generated operating cash of €3.4m for the year, compared with €1.9m for 2014. However, during the year, the Group also accumulated multimedia tax credits in Quebec of €1.3m in 2015 (2014: €1.4m) which will be claimed during 2016. Therefore, and in order to mitigate against the effect of the delay in receiving the multimedia tax credits from the Canadian authorities, the Group took out financing debt of €1.1m. The total multimedia tax credit accrual as at 31 December 2015 amounted to €3.9m (2014: €3.0m).

The Group anticipates that, in general, it will convert the net profit after tax to cash less the amount which is needed to fund an increased level of working capital required due to the continuing rapid growth of the business. In 2015 the delay in receiving the multimedia tax credits has reduced the cash collection below the level which would normally be anticipated. This will not be the case in 2016.

The Group made four acquisitions to strengthen the business during the year with a net cash outflow on consideration payments of €7.4m, and an additional €1.1m in acquisition expenses and integration expenses. At the date of acquisition of Kite Team, the company had €0.6m of loans in place which remained in place at 31 December 2015 and formed part of the Group financial statements. Investment in fixed assets amounted to €1.6m (2014: €1.3m) reflecting the cost of expanding the Lakshya Digital operation in India, moving office in Seattle to include a new art studio, further expansion within the Montreal studio and fitting out the Barcelona office. Additionally, there were ongoing purchases of games testing equipment. A further €0.8m was spent on purchasing 400,000 Keywords Studios PLC Group PLC shares for the Group's Employee Benefit Trust.

In 2015, the issue of new shares at 1.90p via a placing in November generated net proceeds of €14.2m. In 2014 the issue of new shares at 1.50p via a placing in May generated net proceeds of €7.3m.

Cash and cash equivalents increased to €19.0m from €11.0m excluding accrued multimedia tax credits of €3.9m (2014: €3.0m). The loans and borrowings were €1.7m at 31 December 2015 (2014: €nil).

Foreign Exchange

Keywords does not hedge foreign currency profit and loss translation exposures. The effect on the Group's results of movements in exchange rates and the foreign gains and losses incurred during the year are set out in the Net Finance Costs section above.

Dividend

The Company has a progressive dividend policy, subject to the retention of funds needed to fund future growth of the Group's business and its strategic aims.

Following the interim dividend payment of 0.40p per share on 23 October 2015, the Board has recommended a final dividend of 0.81p per share, which will make the total dividend for the year ending 31 December 2015 1.21p per share, a 10% increase over 2014. Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 23 June 2016 to all shareholders on the register at 3 June 2016. The cash cost of the final proposed dividend will be an estimated €0.6m.

Events After the Reporting Period

On 22 March 2016 the Group acquired the entire share capital of Ankama Asia Pte Ltd, a company registered in Singapore, which provides services to support the live operations of the games of Ankama. Under the terms of the agreement, which will be immediately earnings enhancing, a total consideration of €0.25m will be paid to the sellers.

On 1 April 2016, the Group announced that it had entered into an agreement to acquire the business and assets of Mindwalk Studios Inc, a company registered in China, and Mindwalk Studios Ltd, a company registered in the British Virgin Islands. Under the terms of the agreement, which is anticipated to be immediately earnings enhancing and is scheduled to complete before 30 June 2016 subject to certain conditions being fulfilled, a total consideration of US$5.5m will be paid. This will be satisfied by the payment of US$3.9m in cash and the issue of US$1.6m of Keywords Studios plc shares.

Key Performance Indicators

We monitor our financial performance against a number of different benchmarks. These are set in agreement with the Board and used to evaluate progress against our strategy.

Financial performance is measured by:

- Revenue growth
  Revenue growth is measured by line of business and overall against the Board's strategic goal to grow organically and by acquisition.
- Gross profit
  Gross profit is a key measure by service line of the Group's pricing strategies, use of resources and ability to optimise resource utilisation.
- Overhead costs by location
  The Board monitors the overheads to ensure the costs in each location are in line with the level of business being generated.

"Keywords continues to benefit from low capital requirements and good profit to cash conversion."

- Adjusted EBITDA margin
  The Board uses an adjusted measure of EBITDA to monitor the performance of the Group. This measure excludes foreign exchange gains or losses, any one-time expenses and the cost of employee share option awards.
- Adjusted operating profit margin
  The Board also uses an adjusted measure of operating profit to monitor the performance of the Group. This measure similarly excludes foreign exchange gains or losses, any one time expenses, and the cost of employee share option awards.

Non-financial performance is measured by:

- Resource deployment
  The Board reviews the efficiency at which the Group is utilising its staff resources to ensure optimum staffing strategies are deployed and to maximise utilisation rates.
- Business won/lost
  The Board reviews the levels of new business won and lost, and monitors the reasons for both, to ensure that the services being offered to the market are appropriately priced and relevant.
- Customer satisfaction and quality of service delivery
  The Board monitors the quality and timeliness of service delivery on an ongoing basis and reviews the level of repeat revenue from existing customers, typically around 80%, as a key measure of customer satisfaction.

Andrew Lawton
Group Finance Director

The Strategic Report on pages 01 to 25 of the Annual Report and Accounts has been approved by the Board of Directors, and is signed on their behalf by Andrew Day and Andrew Lawton.

Andrew Day
Group Chief Executive Officer

Andrew Lawton
Group Finance Director

Torvald from Evolve

Board of Directors

Ross Graham (68)

Independent Non-Executive Director and Chairman

Ross Graham has extensive executive and non-executive experience in the technology sector. He worked from 1987 to 2003 at Misys plc, a global financial software product and solutions provider. He joined Misys as Finance Director upon its flotation, latterly becoming Corporate Development Director; throughout he played a key role in developing and implementing its acquisition strategy. Ross also held a non-executive directorship at Psion plc from 2005 until 2012 when that company was successfully sold to Motorola Solutions Inc. During his time at Psion, he held various roles including the senior independent directorship and chairman of the audit and remuneration committees. He was also a non-executive director at Wolfson Microelectronics Plc and was previously senior independent director and the audit committee chairman prior to its sale to Cirrus Logic Inc. in 2014. Ross qualified as a chartered accountant with Arthur Young in 1969 and was made a partner of that firm in 1981. He is a Fellow of the Institute of Chartered Accountants in England & Wales. Ross was appointed Director and Chairman of Keywords prior to the flotation in July 2013.

Andrew Day (52)

Group Chief Executive Officer

Andrew has a background in technology, manufacturing and business services through corporate development and general management roles within both publicly quoted and private companies. Andrew started his career in 1983 at Rothmans International PLC in production management. From 1986 to 1993 he had responsibility for corporate development activities at Britannia Security Group PLC, TIP Europe PLC and Brent International PLC before holding the position of Divisional Managing Director at Brent International PLC for six years. Andrew was Chief Executive Officer of interactive retail software developer, Unipower Solutions and Head of Retail and CPG for EMEA at NYSE listed advanced analytics business, FICO, before joining Keywords as its Chief Executive Officer in April 2009.

Andrew Lawton (53)

Group Finance Director

Andrew Lawton has extensive experience within the video games industry, FMCG and multi-site retail. He was previously CFO of the fast growing international business Sony Computer Entertainment Europe, which he joined as a founding member of the PlayStation business in 1994 and supported its growth to over €3bn and 1000 employees. In addition to providing strong financial management, his previous responsibilities have been broad-ranging, including Finance, IT, Digital Operations and Business Transformation. Andrew was appointed to the role of Group Finance Director in July 2014. He is a Member of the Institute of Chartered Accountants.

David Reeves (68)

Independent Non-Executive Director

David has spent over 30 years in management roles within multinational companies. He began his career as an operational research consultant before moving overseas with RJ Reynolds Nabisco where he worked from 1979 to 1991, becoming the Marketing Director in 1986 and Worldwide Marketing Director in 1989. In 1991, David served as the General Manager and Vice President of Marketing in Tokyo for Mitsubishi Shoji JV Technology Company. David has considerable experience in the computer entertainment industry. David was the Managing Director for Sony Computer Entertainment (PlayStation) from 1995 until his appointment as its Executive Vice President in 1999 and President in 2003. Throughout his career, David has developed knowledge of the various working styles of European, American and Asian corporations. He was appointed to the Board of Keywords Studios Limited on 29 May 2013.

Giorgio Guastalla (46)

Non-Executive Director

Giorgio Guastalla is co-founder of Keywords. Prior to establishing Keywords in Ireland in 1998, Giorgio held various positions in marketing and IT at Brent International PLC based in the US, Spain, the UK and France. In 2002 Giorgio founded Italicatessen Ltd, a company operating in the food sector. Giorgio was CEO of Keywords until 2009 before concentrating on his other business interests and moving to a non-executive Director role at Keywords Studios.

Directors' Report

The Directors present the annual report together with both the audited consolidated financial statements and the parent company (Keywords Studios Plc) financial statements for the year ended 31 December 2015.

Disclaimer

The purpose of this Annual Report & Financial Statements is to provide information to the members of the Company. The Annual Report & Financial Statements have been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, it's Directors and employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

The Annual Report & Financial Statements contain certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report & Financial Statements and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report & Financial Statements should be construed as a profit forecast.

Dividends

The results for the year are set out from page 36. Dividends paid and proposed are set out on page 50. The Board is proposing a final dividend of 0.81p per share following the payment of an interim dividend of 0.40p per share on 23 October 2015. The proposed total dividend for the year is therefore 1.21p per share.

Directors and Changes to the Board

The Directors of the Company during the year were Ross Graham, Andrew Day, Andrew Lawton, David Reeves and Giorgio Guastalla. There were no changes in the year.

Details of members of the Board at 31 December 2015 are set out on pages 26 and 27.

Going Concern

In view of the Group's resources, cash at 31 December 2015 of €19.0m, free cash flow in 2015 of €3.1m, results of operations, excluding acquisition and integration costs, and the overall financial condition of the Group, the Directors have reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Political Donations

No political donations were made in the year.

Directors and Their Interests

A list of Directors, their interests in the ordinary share capital of the Company, their interests in its long-term performance share plan and details of their options over the ordinary share capital of the Company are given in the Directors' remuneration report on page 31. No director had a material interest in any significant contract, other than a service contract or contract for services, with the Company or any of its operating companies at any time during the year.

The names of all persons who, at the year end, were Directors of the Company can be found on pages 26 and 27 under The Board of Directors.

Corporate Governance

Compliance with UK Corporate Governance Code

Keywords is committed to high standards of corporate governance throughout the Group. As a company whose shares are traded on AIM, it is not required to comply with all the requirements of the UK Corporate Governance Code 2014 ('the Code'). However, the Board recognises the importance of, and is committed to, ensuring that effective corporate governance procedures are in place as appropriate for a public company of its size and complexity and in the light of the risks and challenges it faces.

The Group's corporate governance arrangements are set out below:

The Board

The Board is comprised of two Executive and three Non-Executive Directors. The Board considers that Ross Graham and David Reeves are independent in character and judgement and that there are no relationships or circumstances which are likely to affect their independent judgement.

The Board is responsible for the overall management of Keywords, our strategy and long-term objectives. It provides leadership to Keywords having regard to the interests of shareholders and other stakeholders.

Audit Committee

The Audit Committee is chaired by David Reeves. Ross Graham is the other Committee member. The Audit Committee is responsible for assisting the Board in fulfilling its financial and risk responsibilities. The Audit Committee oversees our financial reporting, risk management and internal control procedures, and reviews the work of external auditors.

Remuneration Committee

The Remuneration Committee is responsible for determining the remuneration of the Chairman, executive Directors, the Company Secretary and senior executives of Keywords.

For further information please see pages 31 and 32.

Internal controls and risk management

The Board has overall responsibility for the Group's system of internal controls. The system is designed to manage, rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement or loss.

The Directors believe that the Group has internal control systems in place appropriate to the size and nature of the business. The key elements are:

- Group Board Meetings, at a minimum of eight times per year, with reports from and discussions with senior executives on performance and key risk areas in the business;
- Monthly financial reporting, for the Group and for each subsidiary, of actual performance compared to budget and the prior year;
- Annual budget setting; and
- A defined organisational structure with appropriate delegation of authority.

The Board also receives a report from the external auditor on matters identified in the course of the statutory audit.

Substantial Shareholdings

At 31 December 2015, the Company had been notified, in accordance with the Disclosure and Transparency Rules, of the following interests in its ordinary share capital:

Name	Shares	%
P.E.Q Holdings Limited	11,978,736	22.2
Andrew Day	5,296,573	9.9
Schroder Investment Management	4,904,843	9.1
Invesco Perpetual	3,988,206	7.4
Hargreave Hale	3,975,380	7.4
Liontrust Asset Management	3,840,169	7.1
Kabouter Management	3,015,783	5.6
Artemis Investment Management	2,512,549	4.7
Legal & General Investment Management	1,327,000	2.5

Future Developments

Important events since the financial year end are described on page 24 of the Chief Executives Report and future developments are described in the strategy section of the Strategic report on page 08.

People and Organisation

Keywords is, and always has been, dependent on the quality and commitment of its entire staff to provide and maintain the high levels of services expected by the Group's clients.

The average headcount reached 1,273 for 2015 with peak employment of 1,410 in August 2015. Keywords permanent staff complement averaged 684 during 2015. This permanent headcount is supplemented with employees on short term contracts as activity changes throughout the year.

The Group continues to give full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities. The policy includes, where practicable, the continued employment of those who may become disabled during their employment and the provision of training and career development and promotion, where appropriate. The Group has continued its policy of employee involvement by making information available to employees on matters of concern to them. Many employees are stakeholders in the Company through participation in share option schemes and a long-term performance share plan.

The Group has not disclosed further details on employment of disabled persons or employee involvement as it has fewer than 250 employees within the UK.

Corporate Responsibility

Keywords seeks to be a socially responsible Group which has a positive impact on the communities it operates in. By the nature of the business, we employ a diverse workforce, with many nationalities. No discrimination is tolerated, and we endeavour to give all employees the opportunity to develop their capabilities. We provide an excellent working environment, the latest technology and appropriate training.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report & Financial Statements.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

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 Company and the Group and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether IFRS as adopted by the EU have been followed, subject to any material departures disclosed and explained in the Group and Company financial statements respectively; and
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business.

Directors' Report continued

Statement of Directors' Responsibilities continued

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

The Directors as at the date of this report, whose names and functions are listed in the Board of Directors on pages 26 and 27, confirm that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The Director has taken all the steps that he or she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Website Publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Group's websites in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's websites is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

By Order of the Board

Andrew Lawton,
Company Secretary
5 April 2016

Directors' Remuneration Report

Dear Fellow Shareholder,
It is my pleasure to present the Directors' remuneration report for the period ended 31 December 2015.

It is my hope that you find this a clear and comprehensive report and I look forward to hearing the views of our investors on the information presented here over the coming months. We will carefully monitor emerging practice in this area as well as guidance from investor representative groups.

We operate a simple remuneration structure made up of base salary and benefits, a bonus plan and share option scheme, and a long-term incentive plan, which provide a clear link between pay and our key strategic priorities.

The Board of Directors
The Board of Directors have a duty to act in the best interests of their shareholders when determining remuneration. It is their responsibility to promote the long-term success of the company while also considering the employees, suppliers, customers and other external factors which may be impacted by remuneration decisions.

Executive directors will be responsible for developing and implementing remuneration strategy for the Group. Non-executive directors will be responsible for constructively reviewing and contributing to this strategy.

The Remuneration Committee
The members of the Remuneration Committee are Giorgio Guastalla (Committee Chairman), David Reeves and Ross Graham. The members are all Non-Executive Directors.

The remit of the Committee is primarily to determine and agree with the Board the framework or broad policy for the remuneration of the Company's Executive Directors, and if required by the Board, the Senior Management of the Group.

Non-executive directors, who are the members of the remuneration committee, should oversee Executive remuneration. The remuneration of the Chairman of the Board is determined by the Remuneration Committee. The remuneration of the Non-Executives is a matter for the Executive member of the Board in conjunction with the committee Chairman.

No Director or Senior Manager is involved in any discussion or decision about his own remuneration.

The Remuneration Committee consists of non-executive directors all of whom are independent with no personal financial interest, other than as shareholders, in the decisions of the Committee. The remuneration committee secretary will be the company human resource manager. By invitation, other members of the Board may attend the Committee's meetings.

Meetings
The Remuneration Committee is planned to meet at least three times a year. In the year ended 31 December 2015, the remuneration committee met on three occasions.

Directors' Emoluments and Pension Contributions
The aggregate remuneration for the Directors of the Company, for service in all capacities for the period year ended 31 December 2015 was €645,727 (2014: €510,128). The remunerations of individual directors were as follows.

	2015					2014				
	Salary or fees €	Bonus €	Pension €	Share options €	Total €	Salary or fees €	Bonus €	Pension €	Share options €	Total €
Andrew Day	187,395	61,983	–	38,546	287,924	125,056	62,500	–	28,043	215,599
David O'Connor	–	–	–	–	–	56,817	–	–	–	56,817
David Reeves	66,610	–	–	–	66,610	55,965	–	–	–	55,965
Giorgio Guastalla	48,156	–	–	–	48,156	43,383	–	–	–	43,383
Ross Graham	68,812	–	–	–	68,812	57,948	–	–	–	57,948
Andrew Lawton	120,509	37,190	–	16,526	174,225	54,910	16,537	–	8,969	80,416
	491,482	99,173	–	55,072	645,727	394,079	79,037	–	37,012	510,128

Directors' Interest in Shares
The interests of each person who was a director of the Company as at 31 December 2015 (together with interests held by his or her connected persons) were:

	2015 Number	2014 Number
Giorgio Guastalla[1]	10,780,862	10,780,862
Andrew Day	5,296,573	5,296,573
David Reeves	22,510	16,260
Ross Graham	58,440	30,490
	16,158,385	16,124,185

1 Giorgio Guastalla's indirect shareholding arises out of his 90% holding in P.E.Q. Holdings Limited.

Directors' Interest in Shares continued

The outstanding awards granted to each director of the Company are as follows.

Long Term Investment Plan

	Start of year Number	Awarded Number	Vested Number	Lapsed Number	End of year Number	Vesting date
Andrew Day	86,593	–	–	–	86,593	12 July 2016
	–	35,000	–	–	35,000	1 June 2018
Andrew Lawton	50,000	0	–	–	50,000	3 July 2017
	–	35,000	–	–	35,000	1 June 2018
	136,593	70,000	–	–	206,593	–

Share Option Plan

	Start of year Number	Awarded Number	Vested Number	Lapsed Number	End of year Number	Vesting date
Andrew Day	21,167	–	–	–	21,167	July 12, 2015
	21,167	–	–	–	21,167	July 12, 2016
	21,168	–	–	–	21,168	July 12, 2017
	63,502	–	–	–	63,502	–

Awards of shares will vest on the dates shown. In the event that a Director ceases to be an employee of the Group for reasons other than death, retirement, redundancy, injury, ill-health or disability before the vesting date, then the rights to the award will lapse, unless the Remuneration Committee recommend otherwise.

Awards are not subject to further performance conditions once granted.

Transactions with Directors

During the year, there were no material transactions between the Company and the Directors, other than their emoluments.

All transactions between the Group and the Directors are set out in the notes to the financial statements, including note 25 on related party transactions.

Giorgio Guastalla,
Chairman of the Remuneration Committee

Directors' Remuneration Policy Report

The Committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the policy set out below, where the terms of the payment were agreed (i) before the policy came into effect or (ii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

The Remuneration Committee determines the Company's policy on executive directors' and if required, senior management remuneration. The objectives of this policy are:
- To reward executive directors and senior management in a manner that ensures that they are properly incentivised and motivated to perform in the best interests of shareholders.
- To provide a level of remuneration required to attract and retain high calibre executive directors and senior management.
- To encourage value creation through consistent and transparent alignment with the agreed company strategy.
- The Remuneration Committee takes into account the performance of the individual, comparisons with peer company companies and reports from external independent consultants. The experience of the individual and his/her level of responsibility are also taken into account.
- Ensuring the total remuneration packages awarded to executive directors comprise of both performance-related and non-performance-related remuneration, designed to motivate the individual, align interests with shareholders and comply with corporate governance best practice.
- To ensure that any remuneration awarded is deserved and is aligned to the shareholders' interests.

Remuneration Components
Various remuneration components are combined to ensure an appropriate and balanced remuneration package that reflects the business unit, the employee's position in the company and professional activity as well as market practice.

The remuneration components are comprised of the following elements:
- Fixed remuneration (basic salary);
- Performance-based remuneration (variable salary);
- Pension schemes;
- Other benefits; and
- LTIP (long-term incentive plan).

For Non-Executive Directors there is only one component, a base fee.

Basic Salaries and Benefits
Basic salaries should initially be determined to reflect first the role and the responsibility of the individual within that role while also upholding the principle of paying no more than is necessary.

The basic salaries of executive directors and senior management are reviewed annually having regard to personal performance, company performance, significant changes in their responsibilities and competitive market practice.

Any increases in basic salary should be disclosed and justified.

Performance Bonus
Under current arrangements, which will be reviewed annually by the Remuneration Committee, executive directors and senior management are eligible to participate in a bonus scheme. The bonus amount is a percentage of salary ranging from 20% to 50%, which is subject to the attainment of specific targets set for each individual. The portion of bonus earned in any one year depends on the Remuneration Committee's assessment of each individual's performance and the overall performance of the Company against predetermined turnover and profitability targets for the year.

Performance targets are weighted 80 per cent towards the Company's financial performance and 20 per cent towards personal performance. The Remuneration Committee will review targets and the weighting of performance measures each year.

The bonus may not exceed the agreed percentage of the fixed salary, which level can only be achieved at a weighted target achievement of 100 per cent. Furthermore, the bonus will be cancelled at a weighted target achievement of less than 80 per cent.

Pension Entitlements
The Company does not operate any pension scheme or make pension provision for non-executive directors. At the discretion of the remuneration committee the executive directors and senior management may participate in a pension scheme facilitated by the Company.

Benefits
During the period since incorporation, the Company did not contribute to any Employment related benefits.

Share Options
Share option programmes are in place for permanent members of staff, including the Senior Management. The focus of the share option programmes is to retain and create long-term shareholder value. The intention of such grants is to ensure value creation and fulfilment of the company's long-term goals.

Long-Term Incentive Plan (LTIP)
The purpose of the LTIP is to incentivise delivery against total shareholder return. Share awards further the alignment of executives' and shareholders' interests.

LTIP grants can be made annually to a range of senior employees across the Company. Awards are made in the form of share options which vest subject to performance conditions. Performance conditions are measured over three financial years and are not retested. Conditions are reviewed annually.

Leaver Treatment

Fair treatment will be extended to departing executives. Executives who resign or are dismissed for cause are, by default, not eligible for an annual bonus if they have left or are under notice at date of payment, and forfeit all LTIP shares.

At the Committee's discretion good leavers (normally including such circumstances as retirement, death, disability, and redundancy) may be eligible for an annual bonus for the proportion of the bonus year served. However performance will be tested in line with the normal performance schedule.

Independent Auditor's Report
to the Members of Keywords Studios PLC

We have audited the financial statements of Keywords Studios plc for the year ended 31 December 2015 which comprise the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Cash Flows, the Group and Parent Company Statements of Changes in Equity, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Website publication
The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion:
- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and Directors, Report for the financial year ended 31 December 2015 for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where 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.

Teresa Morahan (Senior statutory auditor)
For and on behalf of BDO, statutory auditor,
Dublin 2,
Ireland.

5 April 2016

Consolidated Statement of Comprehensive Income

	Note	Years ended 31 December 2015 €'000	2014 €'000
Revenues	4	57,951	37,293
Operating costs		(37,460)	(25,981)
Multimedia tax credits		1,287	1,413
Gross profit		21,778	12,725
Share option expense		(392)	(156)
Costs of acquisition and integration		(1,089)	(1,461)
Amortisation of intangible assets		(857)	(468)
Other administration expenses		(13,616)	(7,566)
Administrative expenses		(15,954)	(9,651)
Operating profit	5	5,824	3,074
Financing income	6	70	516
Financing cost	6	(808)	(155)
Profit before taxation		5,086	3,436
Tax expense	7	(1,832)	(1,215)
Profit from operations		3,254	2,220
Other comprehensive income:			
Items that will or may be reclassified to profit or loss			
Exchange gains/(losses) on translation of foreign operations		763	(288)
Total comprehensive income:		4,017	1,932
Profit for the year attributable to:			
Owners of the parent		3,363	2,220
Non-controlling interest		(109)	–
		3,254	2,220
Total comprehensive income for the year attributable to:			
Owners of the parent		4,126	1,932
Non-controlling interest		(109)	–
		4,017	1,932

Earnings per share		Euro cent	Euro cent
Basic earnings per ordinary share (Euro cent)	9	6.98	4.94
Diluted earnings per ordinary share (Euro cent)	9	6.87	4.93

The notes on pages 43 to 73 form an integral part of these consolidated financial statements.

On Behalf of the Board

Andrew Day
Director
5 April 2016

Andrew Lawton
Director

Consolidated Statement of Financial Position

	Note	Years ended 31 December 2015 €'000	2014 €'000
Non-current assets			
Property, plant and equipment	14	3,486	2,761
Goodwill	12	23,893	14,711
Intangible assets	13	3,782	2,967
Deferred tax assets	29	971	436
		32,132	20,874
Current assets			
Trade receivables	15	7,519	6,203
Other receivables	16	8,320	5,644
Short-term investments	18	27	259
Cash and cash equivalents	17	19,018	11,014
Deferred tax assets	29	–	377
		34,884	23,498
Total assets		67,016	44,371
Equity			
Share capital	19	646	551
Share premium		18,542	18,542
Merger reserve – restructuring		(370)	(370)
Merger reserve – acquisitions		22,479	5,667
Foreign exchange reserve		498	(265)
Shares held in EBT		(804)	–
Share option reserve	20	619	227
Retained earnings		10,293	7,667
		51,903	32,019
Non-controlling interest		(1,309)	–
Total equity		50,594	32,019
Current liabilities			
Trade payables	21	2,761	2,322
Other payables	22	8,452	6,881
Loans and borrowings	23	1,163	–
Corporation tax liabilities		752	543
		13,128	9,746
Non-current liabilities			
Other payables	22	300	1,219
Loans and borrowings	23	571	–
Deferred tax liabilities	29	2,423	1,388
		3,294	2,607
Total equity and liabilities		67,016	44,371

Consolidated Statement of Changes in Equity

	Share capital €'000	Share premium €'000	Merger reserve restructuring €'000	Merger reserve acquisitions €'000	Foreign exchange reserve €'000	Shares held in EBT €'000	Share option reserve €'000	Retained earnings €'000	Total attributable to equity holders of parent €'000	Non controlling interest €'000	Total equity €'000
Balance at 1 January 2014	465	11,250	(370)	–	23	–	71	6,056	17,494	–	17,494
Profit for the year	–	–	–	–	–	–	–	2,220	2,220	–	2,220
Other comprehensive income	–	–	–	–	(288)	–	–	–	(288)	–	(288)
Total comprehensive income for the year	–	–	–	–	(265)	–	–	8,276	19,426	–	19,426
Contributions by and contributions to the owners											
Share option expense (note 20)	–	–	–	–	–	–	156	–	156	–	156
Dividends paid (note 10)	–	–	–	–	–	–	–	(609)	(609)	–	(609)
Shares issued for cash (note 19)	49	7,293	–	–	–	–	–	–	7,342	–	7,342
Shares issued upon acquisitions	37	–	–	–	–	–	–	–	37	–	37
Merger reserve arising on group acquisitions	–	–	–	5,667	–	–	–	–	5,667	–	5,667
Contributions by and contributions to the owners	86	7,293	–	5,667	–	–	–	–	–	–	–
Balance at 31 December 2014	551	18,542	(370)	5,667	(265)	–	227	7,667	32,019	–	32,019
Profit for the year	–	–	–	–	–	–	–	3,363	3,363	(109)	3,254
Other comprehensive income	–	–	–	–	763	–	–	–	763	–	763
Total comprehensive income for the year	–	–	–	–	763	–	–	3,363	4,126	(109)	4,017
Contributions by and contributions to the owners											
Share option expense (note 20)	–	–	–	–	–	–	392	–	392	–	392
Dividends paid (note 10)	–	–	–	–	–	–	–	(737)	(737)	–	(737)
Shares bought for EBT	–	–	–	–	–	(804)	–	–	(804)	–	(804)
Shares issued for cash (note 19)	78	–	–	14,118	–	–	–	–	14,196	–	14,196
Shares issued upon acquisitions	17	–	–	2,694	–	–	–	–	2,711	–	2,711
Liabilities on acquisition of Kite Team	–	–	–	–	–	–	–	–	–	(50)	(50)
Purchase of put option for acquisition of remaining 50% of Kite Team (note 31)	–	–	–	–	–	–	–	–	–	(1,150)	(1,150)
Contributions by and contributions to the owners	95	–	–	16,812	–	(804)	392	(737)	15,758	(1,200)	14,558
Balance at 31 December 2015	646	18,542	(370)	22,479	498	(804)	619	10,293	51,903	(1,309)	50,594

Consolidated Statement of Cash Flows

	Note	2015 €'000	2014 €'000
		Years ended 31 December	
Cash flows from operating activities			
Profit after tax		3,254	2,220
Adjustments to reconcile net income to net cash provided by operating activities		1,514	202
Income taxes (paid)/refunded		(1,362)	(522)
Net cash provided by operating activities		3,406	1,900
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired	31/32	(7,409)	(8,889)
Acquisition of property, plant and equipment	14	(1,635)	(1,252)
(Acquisition)/disposal of short term investments	18	232	260
Interest received	6	70	49
EBT Share Purchase		(804)	–
Net cash used in investing activities		(9,546)	(9,833)
Cash flows from financing activities			
Repayment of borrowings in acquired company		–	(2,996)
Repayment of loans to Directors of acquired companies		(300)	
Loan to finance Multi-Media Tax Credits		1,110	–
Dividends paid	10	(737)	(609)
Shares issued	19	14,213	7,342
Share issuance expenses		(14)	–
Interest paid	6	(128)	(61)
Net cash used in financing activities		14,144	3,676
Increase in cash and cash equivalents		8,004	(4,257)
Cash and cash equivalents at beginning of the year		11,014	15,271
Cash and cash equivalents at end of period	17	19,018	11,014

Adjustments to reconcile net income to net cash provided by operating activities

	Note	2015 €'000	2014 €'000
		Years ended 31 December	
Income and expenses not affecting operating cash flows			
Depreciation	5	1,297	868
Intangibles amortisation	5	857	468
Income tax expense	7	1,832	1,215
Share option expense	20	392	156
Foreign currency revaluation of fixed assets	14	–	(161)
Profit/Loss on disposal of fixed assets	14	20	66
Loss arising on payment of deferred consideration		194	–
Interest received	6	(70)	(49)
Share issuance costs		14	–
Interest paid	6	128	61
Changes in operating assets and liabilities			
Decrease/(Increase) in trade receivables		29	(2,930)
(Increase)/Decrease in other receivables		(2,533)	(2,090)
Increase in trade and other payables		(646)	2,598
		1,514	202

Company Statement of Financial Position

	Note	2015 €'000	2014 €'000
		Years ended 31 December	
Non-current assets			
Investment in subsidiaries	24	12,765	12,765
Other receivables	16	3,300	3,000
		16,065	15,765
Current assets			
Other receivables	16	18,093	15,798
Cash and cash equivalents	17	11,656	701
		29,749	16,499
Total assets		45,814	32,265
Equity			
Share capital	19	646	551
Share premium		18,542	18,542
Merger reserve – restructuring		5,313	5,313
Merger reserve – acquisitions		22,479	5,667
Shares held in EBT		(804)	–
Share option reserve	20	619	227
Retained earnings		(2,598)	(317)
Total equity		44,197	29,983
Current liabilities			
Corporation tax liabilities		4	4
Trade payables	21	132	74
Other payables	22	1,481	1,132
		1,617	1,210
Non-current liabilities			
Other payables	22	-	1,071
		-	1,071
Total equity and liabilities		45,814	32,265

The notes on pages 43 to 73 form an integral part of these financial statements. The financial statements were approved and authorised for issue by the Board on 5 April 2016.

On Behalf of the Board

Andrew Day
Director
5 April 2016

Andrew Lawton
Director

Company Statement of Changes in Equity

	Share capital €'000	Share premium €'000	Merger reserve restructuring €'000	Merger reserve acquisitions €'000	Shares held in EBT €'000	Share option reserve €'000	Retained earnings €'000	Total equity €'000
Balance at 1 January 2014	465	11,250	5,313	–	–	71	897	17,995
Total comprehensive income for the year	–	–	–	–	–	–	(606)	(606)
Total comprehensive income for the year							(605)	(605)
Contributions by and contributions to the owners								
Share option expense (note 20)	–	–	–	–	–	156	–	156
Dividends paid (note 10)	–	–	–	–	–	–	(609)	(609)
Shares issued for cash (note 19)	49	7,293	–	–	–	–	–	7,342
Shares issued upon acquisitions	37	–	–	–	–	–	–	37
Merger reserve arising on group acquisitions	–	–	–	5,667	–	–	–	5,667
Contributions by and contributions to the owners	86	7,293	–	5,667		156	(609)	12,593
Balance at 31 December 2014	551	18,542	5,313	5,667	–	227	(317)	29,983
Total comprehensive income for the year	–	–	–	–	–	–	(1,576)	(1,576)
Total comprehensive income for the year							(1,576)	(1,576)
Contributions by and contributions to the owners								
Share option expense (note 20)	–	–	–	–	–	392	–	392
Dividends paid (note 10)	–	–	–	–	–	–	(737)	(737)
Dividend received from subsidiaries	–	–	–	–	–	–	32	32
Treasury shares ringfenced for EBT	–	–	–	–	(804)	–	–	(804)
Shares issued for cash (note 19)	95	–	–	14,414	–	–	–	14,509
Shares issued upon acquisitions	–	–	–	2,398	–	–	–	2,398
Contributions by and contributions to the owners	95	–	–	16,812	(804)	392	(705)	15,790
Balance at 31 December 2015	646	18,542	5,313	22,479	(804)	619	(2,598)	44,197

Company Statement of Cash Flows

	Note	Years ended 31 December 2015 €'000	2014 €'000
Cash flows from operating activities			
Profit/ (Loss) after tax		(1,575)	(606)
Adjustments to reconcile net income to net cash provided by operating activities		720	(16,405)
Income taxes (paid)/refunded		(4)	(28)
Net cash provided by operating activities		(859)	(17,039)
Cash flows from investing activities			
Acquisition of subsidiaries		(897)	(2,735)
Acquisition of property, plant and equipment		-	–
(Acquisition)/disposal of short term investments		-	–
Interest received		20	20
EBT Share Purchase		(804)	–
Dividends Received from subsidiaries		33	–
Net cash used in investing activities		(1,648)	(2,715)
Cash flows from financing activities			
Repayment of borrowings in acquired company		-	–
Dividends paid		(737)	(609)
Shares issued		14,213	10,342
Share issuance expenses		(14)	–
Interest paid		-	(0)
Net cash used in financing activities		13,462	9,732
(Decrease)/increase in cash and cash equivalents		10,955	(10,021)
Cash and cash equivalents at beginning of the period		701	10,723
Cash and cash equivalents at end of period		11,656	701

Adjustments to reconcile net income to net cash provided by operating activities

	Years ended 31 December 2015 €'000	2014 €'000
Income and expenses not affecting operating cash flows		
Income tax expense	4	9
Share option expense	392	156
Loss arising on payment of deferred consideration	194	(20)
Interest received	(20)	(20)
Share issuance costs	14	–
Interest paid	-	0
Changes in operating assets and liabilities		
(Increase)/Decrease in other receivables	98	(16,900)
Increase in trade and other payables	38	350
	720	(16,405)

Notes Forming Part of the Consolidated and Company Financial Statements

1 Basis of preparation

Keywords Studios plc (the "Company") is a company incorporated in the UK. These consolidated financial statements include the financial statements of the Company and its subsidiaries (the "Group") made up to 31 December 2015. The Group was formed on 8 July 2013 when Keywords Studios Plc (formerly Keywords Studios Limited) acquired the entire share capital of Keywords International Limited through the issue of 31,901,332 ordinary shares.

The parent company financial statements present information about the Company as a separate entity and not about its Group.

The consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs").

New standards, interpretations and amendments effective from 1 January 2015

There were no new standards or interpretations implemented by the group for the first time for periods beginning on or after 1 January 2015. None of the amendments to Standards that are effective from that date had a significant effect on the Group's financial statements.

New standards, interpretations and amendments not yet effective

There were no new standards or interpretations available for early adoption for the first time for periods beginning on or after 1 January 2015, which have been implemented by the Group. None of these standards are expected to have a material effect on the Group's financial statements. A detailed review of the impact of IFRS 15 *Revenue from Contracts with Customers and IFRS 16 Leases* has however not been completed at this point, and therefore the Group is unable to conclude on what impact they may have on the Groups financial statements.

The financial statements for 2015 have been prepared in thousands (€'000) and the comparative numbers have also been revised to the same format. In 2014 the financial statements were rounded to one (€). The financial statements are presented in Euro (€) which is the functional currency of the Group.

2 Significant accounting policies

Basis of Consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present; power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the company and by other parties;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are eliminated in full.

The acquisition of Keywords International Limited was deemed to be a 'combination under common control' as ultimate control before and after the acquisition was the same. As a result, these transactions were outside the scope of IFRS 3 "Business combinations" and have been accounted for under the principles of merger accounting as set out under UK GAAP.

As part of the Group reconstruction in 2013, the Company issued 31,901,332 shares at a value of £1.23 each, being the flotation price, as part of a share for share exchange with the shareholders of Keywords International Limited. The £0.01 nominal value of the shares issues was accounted for in Issued Share Capital. On the 2013 consolidated balance sheet, the difference between the nominal value of shares issued by the company as consideration for the shares in Keywords International Limited, and the nominal value of the shares in Keywords International Limited was treated as a merger reserve arising on group reconstruction. On the Company balance sheet, the excess of net book value of the assets held by Keywords International Limited, at the date of the share for share exchange, over the nominal value of the shares issued was treated as a merger reserve.

Business Combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Consolidated Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained. They are deconsolidated until the date on which control ceases.

Any contingent consideration payable is recognised at fair value at the acquisition date and is split between current liabilities and long term liabilities depending on when it is due. When the consideration becomes more certain the fair value of the contingent consideration will be revalued and any change will be recognised in the statements of comprehensive income.

Goodwill

Goodwill represents the excess of the cost of a business combination over, in the case of business combinations completed prior to 1 January 2010, the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired and, in the case of business combinations completed on or after 1 January 2010, the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

For business combinations completed prior to 1 January 2010, cost comprised the fair value of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition. Changes in the estimated value of contingent consideration arising on business combinations completed by this date were treated as an adjustment to cost and, in consequence, resulted in a change in the carrying value of goodwill.

2 Significant accounting policies continued

For business combinations completed on or after 1 January 2010, cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. For business combinations completed on or after 1 January 2010, direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income.

Impairment

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill. The Group analyses its Cash Generating Units on an entity by entity basis.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Foreign Currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. The Functional currency for the Company is euro. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

On consolidation, the results of overseas operations are translated into euro at rates approximating to this ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised in profit or loss in Group entities' separate financial statements on the translation of long-term items forming part of the Group's net investment in the overseas operation concerned are classified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

Revenue Recognition

Revenue recognised represents the consideration received or receivable for the rendering of services, net of sales taxes, rebates discounts and after eliminating intercompany sales. Services are provided based on agreed client instructions and when projects are in progress at the period end, revenue is recognised to the extent that services have been provided net of any provisions. The Multimedia tax credits received in Montreal on testing services are treated as a deduction against direct costs.

Share Based Payments

The Company issues equity settled share-based payments to certain employees and Directors under a share options plan and a long term incentive plan ("LTIP").

The fair value determined at the grant date is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

Where share-based payments are issued to employees of subsidiary companies, the annual cost of the option is expensed in the subsidiary company, with a corresponding increase in capital contribution from the Company. This annual cost is recorded as an increase in the Company's cost of investment in that subsidiary.

Share Option Plan

These are measured at fair value, taking into account market vesting conditions but not non-market vesting conditions on the grant date using a Black-Scholes option pricing model which calculates the fair value of an option by using the vesting period, the expected volatility of the share price, the current share price, the exercise price and the risk free interest rate. The fair value of the option is amortised over the vesting period, with one third of the options vesting after two years, one third after three years, and the balance vest after four years. The only vesting condition is continuous service. There is no requirement to revalue the option at any subsequent date. The charge that is recognised is adjusted to reflect failure to vest due to non-achievement of a non-market vesting condition but not failure to vest due to the non-achievement of a market vesting condition.

LTIP

An alternative share plan was introduced to give awards to Directors and staff, subject to outperforming the Numis Small Cap (excluding Investment Trusts) index in terms of shareholder return over a three year period. There are three different award levels; one third of the share options vest if the company shall exceed the Total Shareholder Return of the Numis Small Cap Index by not less than 10%, two thirds if the shareholder return exceeds by over 20% and 100% of the share options if the shareholder return exceeds by over 30%.

These are measured at fair value, taking into account market vesting conditions but not non-market vesting conditions, at the date of grant, measured by using the Monte Carlo binomial model. The charge that is recognised is adjusted to reflect failure to vest due to non-achievement of a non-market vesting condition but not failure to vest due to the non-achievement of a market vesting condition.

Dividend Distribution

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders. Interim dividends are recognised when paid.

Income Taxes and Deferred Taxation

Provision for income taxes is calculated in accordance with the tax legislations and applicable tax rates in force at the reporting date in the countries in which the Group companies have been incorporated.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable Group company; or
- Different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Property, Plant and Equipment

Property, plant and equipment comprise computers, leasehold improvements, and office furniture and equipment, and are stated at cost less accumulated depreciation. Carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Computers and Software	33.33
Office furniture and equipment	10.00
Building and leasehold improvements	over the length of the lease

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated statement of comprehensive income.

Intangible Assets

Intangible assets, separately identified from goodwill acquired as part of a business combination, are initially stated at fair value. The fair value attributed is determined by discounting the expected future cashflow to be generated from the asset at the risk adjusted average weighted cost of capital appropriate to the intangible asset. The assets are amortised over their useful economic lives which is deemed to be 5 years.

Financial Assets

Loans and Receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Group's receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

2 Significant accounting policies continued

Trade receivables, which principally represent amounts due from customers, are initially recognised, thereafter, are recognised at amortised cost. An estimate for doubtful debts is made when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of receivables. Bad debts are written off when identified.

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months. Where cash is on deposit with maturity dates greater than three months, it is disclosed as short-term investments.

Share Capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments.

Financial Liabilities

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Leased Assets

Where substantially all of the risks and rewards of ownership are not transferred to the Group ("operating lease"), the total rental payables are charged to the consolidated statement of comprehensive income on a straight-line basis over the term of the lease.

Finance Leases

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Employee Benefit Trust

Ordinary Shares purchased by the Employee Benefit Trust on behalf of the Parent Company under the Terms of the Share Option Plan are deducted from equity on the face of the Consolidated Statement of Financial Income. No gain or loss is recognised in relation to the purchase, sale, issue or cancellation of the Parent Company's Ordinary Shares.

3 Critical accounting estimates and judgements

The preparation of consolidated financial statements under IFRS requires the Directors to make estimates and judgements that effect the application of policies and reported amounts.

The areas requiring the use of estimates and critical judgements that may significantly impact the Group's earnings and financial position are revenue recognition in respect of accrued income and computation of income taxes. Estimates and judgements are continually evaluated and are based on historic experience and other factors including expectations of future events that are believed to be reasonable. Actual results may differ from these estimates and assumptions.

Income Taxes

The Group is subject to income tax in several jurisdictions and judgement may be required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination may be uncertain. As a result, the company recognises tax liabilities based on an understanding of taxation legislation in particular jurisdictions and any related estimates of whether taxes and/or interest will be due. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

Goodwill and Intangible Assets Arising on Acquisition

The value of goodwill and intangible assets recognised on the Group's acquisitions during the year, were derived from the projected cashflows for those businesses at the time of acquisition, based on management forecasts. The accuracy of the valuation would therefore be compromised by any differences between the forecasts and the levels of business activity that the entity might actually have been able to generate in the absence of acquisition. The valuation will also be affected by the accuracy of the discount factor used.

The carrying value of goodwill and intangibles assets is dependent on the accuracy of the inputs into the impairment test detailed in note 12.

Multi Media Tax Credits

The submissions for the repayment of Multi-Media Tax Credits in Montreal are made on an annual basis to Investment Quebec and Revenue Quebec. Both the costs and basis of the claim are subject to audit by the authorities prior to approval and payment of the claim. While the group complete a detailed exercise in relation to the claim and to the accrual there may be occasions where the actuals amounts may be less than accrued which will lead to a change in the amounts recognised within the financial statements.

4 Segmental analysis

Management considers that the Group's activity as a single source supplier of Localisation and Localisation Testing Services constitutes one operating and reporting segment, as defined under IFRS 8.

Management review the performance of the Group by reference to Group-wide profit measures and the revenues derived from four main service groupings:

- Localisation Services – Localisation services relate to translation and cultural adaptation of in-game text and audio scripts across multiple game platforms and genres.
- Localisation Testing – Localisation Testing involves testing the linguistic correctness and cultural acceptability of computer games.
- Audio/Voiceover Services – Audio Services relate to the audio production process for computer games and includes script translation, actor selection and talent management through pre-production, audio direction, recording, and post-production, including native language Quality Assurance of the recordings.
- Functional Testing – Functional Testing relates to quality assurance services provided to game producers to ensure games function as required.
- Art Creation Services – Art creation services relate to the production of graphical art assets for inclusion in the video game including concept art creation along with 2D and 3D art asset production and animation.
- Customer Support – Customer support relates to the live operations support services such as community management, player support and associated services provided to producers of games to ensure that consumers have a positive user experience.

There is no allocation of operating expenses, profit measures, assets and liabilities to individual product groupings. Accordingly the disclosures below are provided on an entity-wide basis.

Activities are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the executive management team made up of the Chief Executive Officer and the Finance Director.

	Years ended 31 December	
Revenue by line of business	2015 €'000	2014 €'000
Localisation	17,141	11,957
Localisation Testing	15,021	14,658
Audio	7,157	5,080
Functional Testing	6,472	4,986
Art Creation	8,211	612
Customer Support	3,949	–
	57,951	37,293

One (2014: Two) customers accounted for more than 10% of the Group's revenue during the year. Revenues generated from the customer were €7.2m (2014: €7.1m and €3.9m).

Geographical Analysis of Revenues by Jurisdiction

Analysis by geographical regions is made according to the Group's operational jurisdictions. This does not reflect the region of the Group's customers, whose locations are worldwide.

	Years ended 31 December	
	2015 €'000	2014 €'000
Ireland	14,167	9,939
Japan	3,324	2,644
Italy	8,343	6,754
Canada	17,438	11,067
United States	6,573	5,838
India	3,602	612
Singapore	3,083	65
United Kingdom	650	374
Brazil	465	–
Spain	306	–
Total revenues	57,951	37,293

4 Segmental analysis continued

Geographical Analysis of Non-current assets from Continuing Businesses

	Years ended 31 December 2015 €'000	2014 €'000
Ireland	284	391
Japan	32	26
Italy	8,984	9,498
Canada	1,981	1,057
United States	8,706	249
India	3,039	2,720
Singapore	83	97
United Kingdom	6,885	6,400
Brazil	204	–
Spain	868	–
Mexico	95	–
	31,161	20,439

5 Operating profit

Operating profit is stated after charging:	Years ended 31 December 2015 €'000	2014 €'000
Depreciation	1,297	868
Amortisation of Intangible Assets	857	468
Costs of Acquisitions	221	483
Costs of Integration	868	978
Operating lease repayments	1,663	1,018

One-time costs of €221k and €868k respectively were incurred in acquiring and integrating the new entities into the group. The most significant costs within the integration costs are for internal and external resource who have led the activities to integrate the new acquisitions into the Group.

	Years ended 31 December 2015 €'000	2014 €'000
Auditors' remuneration		
Audit services		
Parent company and Group audit	48	33
Subsidiary companies audit	95	67
Non-audit services		
Accounting services	–	3
Taxation compliance	12	18
Due diligence services	–	25
	155	147

6 Financing income and costs

	Years ended 31 December 2015 €'000	2014 €'000
Finance income		
Interest received	70	49
Foreign Exchange Gain	–	467
	70	516
Finance cost		
Bank charges	(206)	(94)
Interest Expense	(128)	(61)
Foreign Exchange Losses	(474)	–
	(808)	(155)
Net financing (expense)/income	(738)	361

7 Taxation

	Years ended 31 December 2015 €'000	2014 €'000
Current income tax		
Income tax on profits	4	9
Income tax on profits of subsidiary operations	1,518	955
Deferred tax (Note 29)	310	251
	1,832	1,215

The tax charge for the year can be reconciled to accounting profit as follows:

	Years ended 31 December 2015 €'000	2014 €'000
Profit before tax	5,086	3,436
Expected tax charge based on the standard rate of taxation in the UK at 23% (2014: 23%)	1,170	790
Higher rates of current income tax in overseas jurisdictions	286	236
Lower rates of current income tax in overseas jurisdictions	(100)	(161)
Losses incurred in overseas jurisdictions	238	32
Effects of other timing differences	238	318
Total tax charge	1,832	1,215

The Group's subsidiaries are located in different jurisdictions and are taxed on their residual profit in those jurisdictions. The majority of profits arise in Ireland.

8 Profit attributable to shareholders of the parent company

In accordance with Companies Act 2006, the Company is availing of the exemption from presenting its individual Statement of Comprehensive Income to the annual general meeting and from filing it with Companies House. The amount of profit/(loss) after tax dealt with in the parent undertaking is (€1,576k) (2014: loss (€606k)).

9 Earnings per share

	Years ended 31 December 2015 Euro cent	2014 Euro cent
Basic	6.98	4.94
Diluted	6.87	4.93

	2015 €'000	2014 €'000
Profit for the period from continuing operations attributable to the equity holders of the company	3,363	2,220

	Number	Number
Denominator (Weighted average number of equity shares)		
Basic	48,192,371	44,955,503
Diluted	48,971,278	45,064,294

The dilutive impact of share options has been considered in calculating diluted earnings per share. Details of the number of share options outstanding at the year-end are set out in note 20.

Notes Forming Part of the Consolidated and Company Financial Statements
continued

10 Dividends

	2015		2014	
	Per share Euro cent	Total €'000	Per share Euro cent	Total €'000
Final	1.03	482	0.84	394
Interim	0.54	255	0.46	215
Dividends paid to shareholders	1.57	737	1.30	609

In June 2014, Keywords Studios plc approved a dividend of Stg 0.67/€0.84 per share, based on the shares in issue at that time, or €393,767 in total, as a final dividend for 2013. The dividend was paid in July 2014.

In September 2014, Keywords Studios plc approved a dividend of Stg 0.36/€0.46 per share, based on the shares in issue at that time, or €215,391 in total, as an interim dividend for 2014. The dividend was paid in October 2014.

In June 2015, Keywords Studios plc approved a dividend of Stg 0.74/€1.03 per share, based on the shares in issue at that time, or €482,333 in total, as a final dividend for 2014. The dividend was paid in June 2015.

In September 2015, Keywords Studios plc approved a dividend of Stg 0.40/€0.54 per share, based on the shares in issue at that time, or €254,934 in total, as an interim dividend for 2015. The dividend was paid in October 2015.

The Directors' recommend a final dividend in respect of the financial year ended 31 December 2015 of Stg 0.81p per Ordinary share, to be paid on 23 June 2016 to shareholders who are on the register at 3 June 2016. This dividend is not reflected in these financial statements as it does not represent a liability at 31 December 2015. The final proposed dividend will reduce shareholders' funds by an estimated €594,122.

There are no income tax consequences for the company in respect of the dividends proposed prior to issuance of the Consolidated Financial Statements and for which a liability has not been recognised.

11 Staff costs

Total staff costs (including Directors) comprise the following:

	Years ended 31 December	
	2015 €'000	2014 €'000
Salaries and related costs	29,773	19,907
Share based payment costs	392	156
	30,165	20,063

Key management compensation:

	Years ended 31 December	
	2015 €'000	2014 €'000
Salaries and related costs	719	595
Social Welfare cost	88	60
Pension costs	5	5
Share based payment costs	135	66
	947	725

The key management compensation includes the five Directors of Keywords Studios plc (2014: five).

	Years ended 31 December	
	2015	2014
Average number of employees		
Operations	1,169	918
General and administration	104	60
	1,273	978

The breakdown of the Directors remuneration for the Company is included in the Directors' Remuneration Report on page 31.

12 Goodwill

Group

	Liquid Violet Limited €'000	Babel Media Limited €'000	Binari Sonari Srl €'000	Lakshya Digital Private Limited €'000	Alchemic Dream €'000	Reverb €'000	Kite Team €'000	Liquid Development €'000	Total €'000
Cost and net book value									
At 31 December 2013									
Recognised on acquisition of a subsidiary	1,043	4,375	7,630	1,663	–	–	–	–	14,711
At 31 December 2014	1,043	4,375	7,630	1,663	–	–	–	–	14,711
Recognised on acquisition of a subsidiary	–	–	–	39	690	274	550	6,801	8,354
Foreign exchange adjustment	137	505	–	127	(55)	(71)	–	185	828
At 31 December 2015	1,180	4,880	7,630	1,829	635	203	550	6,986	23,893

During the period goodwill arose on the acquisition of Alchemic Dream, Reverb Localização – Preparação de Documentos Ltda ("Reverb"), Kite Team and Liquid Development. Additional goodwill arose on Lakshya Digital Private Limited due to an adjustment to the valuation of fixed assets acquired (See note 32).

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill. The Group analyses its Cash Generating Units on an entity by entity basis. The discount rate used within the calculations was 12.5% for each CGU. The growth rates are based on a review of recently achieved growth and a prudent estimate for likely growth rates for each CGU.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Key assumptions for the value in use calculations are as follows:

	Long term growth rate	Discount rates
Liquid Violet Limited	10%	12.5%
Babel Media Limited	10%	12.5%
Binari Sonori S.R.L	10%	12.5%
Lakshya Digital Private Limited	10%	12.5%
Alchemic Dream	10%	12.5%
Reverb	10%	12.5%
Kite Team	10%	12.5%
Liquid Development	10%	12.5%

As part of the value in use calculation, management prepared an initial cash flow forecast, approved by the Board of Directors, covering the period to 31 December and the following five years. The long term growth rate has been used to determine a terminal value for each CGU.

The Group has conducted a sensitivity analysis on the carrying value on each of the CGUs. If the sales projections reduce by the following percentages, the value of goodwill would be impaired.

Liquid Violet Limited	7.4%
Babel Media Limited	9.2%
Binari Sonori S.R.L	4.8%
Lakshya Digital Private Limited	13.1%
Alchemic Dream	28.8%
Reverb	35.3%
Kite Team	13.6%
Liquid Development	5.9%

The result of the value in use calculations was that no impairment is required in this period.

Notes Forming Part of the Consolidated and Company Financial Statements
continued

13 Intangible assets – customer relationships
Group

	Liquid Violet Limited €'000	Babel Media Limited €'000	Binari Sonari Srl €'000	Lakshya Digital Private Limited €'000	Alchemic Dream €'000	Liquid Development €'000	Total €'000
Cost							
As at 31 December 2013	–	–	–	–	–	–	–
Additions	204	964	1,791	475	–	–	3,434
At 31 December 2014	204	964	1,791	475	–	–	3,434
Additions	–	–	–	–	286	1,225	1,511
Foreign Exchange Adjustment	27	111		36	(21)	34	187
As at 31 December 2015	231	1,075	1,791	511	265	1,259	5,132
Amortisation and impairment							
As at 31 December 2013	–	–	–	–	–	–	–
Amortisation charge	39	169	239	21	–	–	468
As at 31 December 2014	39	169	239	21	–	–	468
Amortisation charge	46	214	358	101	54	84	857
Foreign exchange adjustment	5	20	–	3	(3)	(0)	25
As at 31 December 2015	90	403	597	125	51	84	1,350
Net book value							
As at 31 December 2014	165	796	1,552	454	–	–	2,967
As at 31 December 2015	141	672	1,194	386	214	1,175	3,782

Customer relationships are amortised over 5 years from the point of acquisition on a straight line basis.

14 Property, plant and equipment

Group

	Computers and software €'000	Office, furniture and equipment €'000	Leasehold improvements €'000	Total €'000
Cost				
At 1 January 2014	1,192	214	32	1,438
Currency revaluation	179	93	36	308
Additions	410	456	386	1,252
Acquisitions through business combinations	3,508	1,964	381	5,853
Disposals	(342)	(999)	(48)	(1,389)
At 31 December 2014	4,947	1,728	787	7,462
Currency revaluation	88	(15)	(16)	57
Additions	1,191	373	71	1,635
Acquisitions through business combinations	266	204	16	486
Disposals	(59)	(14)	(3)	(76)
At 31 December 2015	**6,433**	**2,276**	**855**	**9,564**
Accumulated depreciation				
Cost				
At 1 January 2014	740	87	11	838
Currency revaluation	83	60	4	147
Acquisitions through business combinations	2,686	1,411	74	4,171
Depreciation charge	545	296	27	868
Disposals	(289)	(986)	(48)	(1,323)
At 31 December 2014	3,765	868	68	4,701
Currency revaluation	102	(76)	(28)	(2)
Acquisitions through business combinations	180	(43)	–	137
Depreciation charge	857	344	96	1,297
Disposals	(55)	–	–	(55)
At 31 December 2015	**4,849**	**1,093**	**136**	**6,078**
Net book value				
As at 31 December 2014	1,182	860	719	2,761
As at 31 December 2015	**1,584**	**1,183**	**719**	**3,486**

15 Trade receivables

Group

	As of 31 December 2015 €'000	2014 €'000
Customers	7,825	6,464
Provision for bad debts (note 26)	(306)	(261)
	7,519	6,203

16 Other receivables

Group

	As of 31 December 2015 €'000	As of 31 December 2014 €'000
Accrued Income	1,661	954
Prepayments	989	484
Other receivables	4,931	3,650
Other tax and social security	394	235
Restricted cash (note 25)	345	321
	8,320	5,644

Company

	As of 31 December 2015 €'000	As of 31 December 2014 €'000
Intercompany receivables (note 25)	17,299	15,390
Other tax and social security	35	16
Prepayments	58	72
Other receivables	356	–
Restricted cash (note 25)	345	321
	18,093	15,798
Non-current		
Intercompany receivables (note 25)	3,300	3,000
	3,300	3,000

17 Cash and cash equivalents

Group

	As of 31 December 2015 €'000	As of 31 December 2014 €'000
Cash at bank	19,018	9,635
Short term bank deposits	–	1,379
	19,018	11,014

Company

Cash at bank	11,656	378
Short term bank deposits	–	323
	11,656	701

Short term bank deposits relate to cash on deposit with maturity dates less than three months, or which can be accessed before on demand.

18 Short term investments

Group

	As of 31 December 2015 €'000	As of 31 December 2014 €'000
Medium term bank deposits	27	259
	27	259

Medium term bank deposits relate to cash on deposit with maturity dates greater than three months, which cannot be accessed before maturity.

19 Shareholder's equity

Share Capital

	Shares	€'000
As at 1 January 2014	40,032,413	465
Ordinary Shares of £0.01 issued on acquisition of Babel Media Limited	1,516,944	19
Ordinary Shares of £0.01 issued on acquisition of Binari Sonori S.R.L	1,555,650	19
Placing of ordinary shares of £0.01 on the market	4,000,000	49
As at 31 December 2014	47,105,007	551
Ordinary Shares of £0.01 issued for earn out of Binari Sonori S.R.L	158,250	2
Ordinary Shares of £0.01 issued on acquisition of Liquid Development LLC.	1,074,440	15
Placing of ordinary Shares of £0.01 on the market	5,500,000	78
As at 31 December 2015	53,837,697	646

On 9 January 2015 the Group issued 158,250 of 1p shares at a value of 145.47p (€1.86) for the earn out agreement with Binari Sonori.

On 20 August 2015 the Group issued 1,074,440 of 1p shares at a value of 160.32p (€2.25) which formed the part of the consideration for the acquisition of Liquid Development LLC.

On 26 November 2015, the group issued 5,500,000 1p shares at a value of £1.90 (€2.64) to purchase preference shares in Project Midas Limited. This transaction formed part of a placing of Keywords Studios shares for cash. The cash proceeds with respect to the share placement were received on the redemption of the preference shares held on 26 November 2015. The net proceeds raised were €14.2m net of costs of €656,000. No share premium is recorded in the Group's financial statements through the operation of the merger relief provisions of the Companies Act 1982 hence the premium is recorded in the merger reserve.

There is no limit to the number of shares which the company can issue.

Shares held by the Employee Benefit Trust (EBT)

	2015		2014	
	Number	Total €'000	Number	Total €'000
Ordinary shares held by the EBT	400,000	804	–	–

In January the Group purchased 200,000 1p Ordinary Shares at a value of 145p and in April a further 200,000 1p shares at a value of 150p.

Reserves

The following describes the nature and purpose of each reserve within owner's equity:

Reserve	Description and purpose
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.
Foreign exchange reserve	Gains or losses arising on retranslation of the net assets of the overseas operations into euro.
Share premium	The Share Premium account is the amount received for shares issued in excess of their nominal value, net of share issuance costs.
Share option reserve	The Share option reserve is the credit arising on share based payment charges in relation to the Company's share option schemes.
Merger reserve – restructuring	The merger reserve was initially created following the Group reconstruction, when Keywords Studios plc acquired the Keywords International Limited Group of companies.
Merger reserve – acquisitions	When the Group uses Keywords Studios plc shares as consideration for the acquisition of an entity, the value of the shares in excess of the nominal value, net of share issuance costs are recorded within this reserve.
Non-controlling interest reserve	The non-controlling interest reserve represents the share of net assets/(liabilities) at the reporting date which is attributable to the holders of the non-controlling interest.

20 Share options

In July 2013, at the time of the IPO, the Company put in place a Share Option Scheme and a Long Term Incentive Plan ("LTIP"). The charge in relation to these arrangements is shown below, with further details of the schemes following:

	2015 €'000	2014 €'000
Share Option Scheme Expense	157	66
Share Option Scheme – LTIP Expense	235	90
	392	156

Of the total share option charge, €55k relates to Directors of the Company as at 31 December 2015. (2014: €66k).

Share Option Scheme

Share options are granted to Directors and to permanent employees. The exercise price of the granted options is equal to management's the market price of the shares at the time of the award of the options. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2015		2014	
	Average exercise price in £ per share	Number of options	Average exercise price in £ per share	Number of options
Outstanding at the beginning of the year	1.20	642,286	1.20	762,775
Granted	1.58	1,059,040	–	–
Lapsed	1.20	(32,553)	1.20	(120,489)
Exercised	1.20	(26,531)	–	–
Outstanding at the end of the year	1.20	1,642,242	1.20	642,286
Exercisable at the end of the year	1.20	178,133	–	–

There were 1,059,040 options granted on 1 June 2015 at an exercise price of £1.58. All options were granted to employees of the Group of which 4,260 of these options lapsed due to staff leaving in the period. Of the total options of 1,054,780 remaining at 31 December 2015, 351,594 are exercisable from 1 June 2018 to 31 May 2023, 351,593 are exercisable from 1 June 2019 to 31 May 2023 and 351,593 are exercisable from 1 June 2020 to 31 May 2023.

The opening balance of 642,286 options were granted on 12 July 2013 at an average exercise price of £1.20. During the year 28,293 of the options lapsed due to staff leaving and 26,531 options were exercised. All options were granted to either employees or Directors of the Group. Of the total options granted remaining at 31 December 2015, 178,133 are exercisable as at 31 December 2015 to 11 July 2020, 204,664 are exercisable from 12 July 2016 to 11 July 2020 and 204,664 are exercisable from 12 July 2017 to 11 July 2020.

The inputs into the Black-Scholes model, used to value the options are as follows:

Share Options granted in 2013

	2015	2014
Weighted average share price (£)	1.23	1.23
Weighted average exercise price (£)	1.20	1.20
Average Expected Life	3 years	3 years
Expected Volatility	36.12%	36.12%
Risk free rates	0.5%	0.5%
Average expected dividends yield	1.00%	1.00%

Share Options granted in 2015

	2015	2014
Weighted average share price (£)	1.64	–
Weighted average exercise price (£)	1.58	–
Average Expected Life	3 years	–
Expected Volatility	28.03%	–
Risk free rates	0.9%	–
Average expected dividends yield	0.75%	–

Expected volatility was determined by calculating the historical volatility of two similar listed companies over the previous 3 years. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The weighted average remaining contractual life of the options outstanding at 31 December 2014 granted in 2013 was 6 months (2014: 1 years 6 months) and granted in 2015 was 2 years and 7 months. All of the outstanding options granted in 2013 can be exercised at an average of £1.20 over a 1 to 3 year period and for those granted in 2015 can be exercised at £1.58 over a 3 to 5 year period.

Long Term Incentive Plan Scheme

An alternative share plan was introduced to give awards to Directors and staff subject to outperforming the Numis Small Cap (excluding Investment Trusts) index in terms of shareholder return over a three year period. A total of 860,206 (2014: 376,226) nil price (1p) options are available to vest to Directors and to selected employees on the basis of the number of options they are entitled to.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2015		2014	
	Average exercise price in £ per share	Number of options	Average exercise price in £ per share	Number of options
Outstanding at the beginning of the year	0.01	376,226	–	392,037
Granted	0.01	489,540	0.01	50,000
Lapsed	0.01	(5,560)	–	(65,811)
Exercised	-	-	–	–
Outstanding at the end of the year	0.01	860,206	0.01	376,226
Exercisable at the end of the year	-	-	–	–

On 6 January, 101,060 options were granted at an exercise price of £0.01 to employees of the Group. The options are exercisable from 6 January 2018 to 6 January 2022 if the market performance conditions are met as at 6 January 2018. On 1 June 2015 388,480 options were granted at an exercise price of £0.01 to Directors and employees of the Group. The options are exercisable from 1 June 2018 to 1 June 2022 if the market performance conditions are met as at 1 June 2018. Of the options granted on 1 June, 5,560 have lapsed.

326,226 options granted previously on 12 July 2013 at an exercise price of £0.01 remain as at 31 December 2015. All options were granted to either employees or Directors of the Group. The 326,226 options granted are exercisable from 12 July 2016 to 11 July 2020 if the market performance conditions are met as at 12 July 2016.

Additionally 50,000 options granted at an exercise price of £0.01 to a director of the Group on 3 July 2014 remain as at 31 December 2015. The options are exercisable from 3 July 2017 to 3 July 2021 if the market performance conditions are met as at 3 July 2017. Additionally 65,811 options lapsed due to a director leaving the Group.

Notes Forming Part of the Consolidated and Company Financial Statements
continued

20 Share options continued

The options were valued using a Monte Carlo binomial model using the following inputs:

LTIPS granted in 2013

	2015	2014
Weighted average share price (£)	1.23	1.23
Weighted average exercise price (£)	0.01	0.01
Average expected life	3 years	3 years
Expected volatility	36.12%	36.12%
Risk free rates	0.5%	0.5%

LTIPS granted in 2014

	2015	2014
Weighted average share price (£)	1.60	1.60
Weighted average exercise price (£)	0.01	0.01
Average expected life	3 years	3 years
Expected volatility	35.52%	35.52%
Risk free rates	0.5%	0.5%

LTIPS granted in January 2015

	2015	2014
Weighted average share price (£)	1.43	–
Weighted average exercise price (£)	0.01	–
Average expected life	3 years	–
Expected volatility	31.2%	–
Risk free rates	0.58%	–

LTIPS granted in June 2015

	2015	2014
Weighted average share price (£)	1.64	–
Weighted average exercise price (£)	0.01	–
Average expected life	3 years	–
Expected volatility	28.03%	–
Risk free rates	0.9%	–

Expected volatility was determined by calculating the historical volatility of two similar listed companies over the previous three years. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

As any dividends earned are to be re-invested into the business the impact of dividends has been ignored in the calculation of the LTIP share option charge.

The weighted average remaining contractual life of the options outstanding at 31 December 2015 was 1 years 8 months (2014: 1 years 8 months). All of the outstanding options can be exercised at £0.01 over a 4 year period.

21 Trade payables

Group

	As of 31 December	
	2015 €'000	2014 €'000
Suppliers	2,761	2,322
	2,761	2,322

Company

Suppliers	132	74
	132	74

22 Other payables

Group

	As of 31 December	
	2015 €'000	2014 €'000
Current		
Accrued expenses	3,268	3,014
Payroll Taxes	482	875
Other payables	2,714	1,898
Contingent consideration	1,979	1,088
Related party payable (Note 25)	9	5
	8,452	6,881
Non-current		
Other payables	55	468
Contingent consideration	245	750
	300	1,219

Company

	2015 €'000	2014 €'000
Current		
Accrued expenses	368	256
Payroll Taxes	38	41
Other payables	340	48
Contingent consideration	735	788
	1,481	1,132
Non-current		
Other payables	–	321
Contingent consideration	–	750
	–	1,071

23 Loans and borrowings

	As of 31 December	
	2015 €'000	2014 €'000
Current instalment due on bank loans	1,163	–
	1,163	–

In the period Babel Media Canada entered into a loan for €1.1m to finance the tax credits for 2013/2014 which remain outstanding. The loan bears interest of the base rate for Canada +1% margin and will be repaid in 2016. There is a charge over the assets of Babel Canada relating to the loan.

Additionally the group took on the following liabilities which existed when the group purchased 50% of Kite Team.

Loan for €150,000 at a fixed rate of 6.30% payable by 1 January 2021 and a loan for €200,000 at a fixed rate of 5.38% payable by 20 December 2021. Both of these loans are guaranteed by a Director of Kite Team.

Additionally the Director of Kite Team has given the company a loan of €295,000 payable by the latest 31 March 2017.

Notes Forming Part of the Consolidated and Company Financial Statements continued

23 Loans and borrowings continued

The loans are repayable over the following periods.

	As of 31 December 2015 €'000	2014 €'000
Expiry within 1 year	1,163	–
Expiry within 1 and 2 years	350	–
Expiry in more than 2 years	221	–
	1,734	–

The currencies of the loans are as follows:

	As of 31 December 2015 €'000	2014 €'000
Euro	621	–
Canadian Dollars	1,113	–
	1,734	–

24 Investments in subsidiaries

Company

	As of 31 December 2015 €'000	2014 €'000
Investment in Subsidiaries	12,765	12,765
	12,765	12,765

Details of the Company and Group's subsidiaries as at 31 December 2015 are set out below:

Name	Country of incorporation	Date of incorporation/ acquisition	Proportion of voting rights and ordinary share capital held	Nature of business
Keywords International Limited	Ireland	13-05-1998	100%	Trading Company
Keywords International Co. Limited	Japan	30-11-2010	100%	Trading Company
Keywords International Corporation Inc.	Canada	22-12-2010	100%	Trading Company
Keywords Italia S.R.L	Italy	18-05-2011	100%	Trading Company
Keywords International Inc.	United States	26-09-2012	100%	Trading Company
KW Studios Limited	United Kingdom	29-05-2013	100%	Dormant Company
Keywords International Pte. Limited	Singapore	24-04-2014	100%	Trading Company
Binari Sonori S.R.L	Italy	08-05-2014	100%	Trading Company
Binari Sonori Inc.	United States	08-05-2014	100%	Trading Company
Liquid Violet Limited	United Kingdom	15-01-2014	100%	Trading Company
Babel Media Limited	United Kingdom	17-02-2014	100%	Trading Company
Babel Games Services Inc.	Canada	17-02-2014	100%	Trading Company
Babel Media India Private Limited	India	17-02-2014	100%	Trading Company
Babel Media USA Inc.	United States	17-02-2014	100%	Trading Company
Lakshya Digital Private Limited	India	10-10-2014	100%	Trading Company
Lakshya Digital Singapore Pte. Ltd.	Singapore	10-10-2014	100%	Trading Company
Edugames Solution Private Limited	India	10-10-2014	100%	Trading Company
Keywords International Barcelona SL	Spain	09-01-2015	100%	Trading Company
Keywords (Shanghai) Information Technology Limited	China	02-04-2015	100%	Trading Company
Alchemic Dream Inc.	Canada	06-01-2015	100%	Trading Company
Reverb Localização – Preparação de Documentos Ltda	Brazil	18-01-2015	100%	Trading Company
Kite Team SL	Spain	16-07-2015	50%	Trading Company
Kite Team Mex S. de R.L. de C.V	Mexico	16-07-2015	50%	Trading Company
Liquid Development LLC	United States	20-08-2015	100%	Trading Company

25 Related parties and shareholders

Italicatessen Limited, a company registered in Ireland is related by virtue of a common significant shareholder. P.E.Q. Holdings Limited is 100% owner of Italicatessen Limited. At 31 December 2015, P.E.Q Holdings Limited owned 22.2% (2014: 24.5%) of the Company. In addition, Mr. Giorgio Guastalla is a Director of Italicatessen Limited, P.E.Q. Holdings Limited and the Company, and owns, or controls, 90% of the share capital of P.E.Q Holdings Limited.

The following transactions arose with Italicatessen Limited, which provides canteen services to Keywords International Limited:

	As of 31 December	
	2015 €'000	2014 €'000
Operating expenses		
Canteen Charges	24	42

The following are year-end balances:

	As of 31 December	
	2015 €'000	2014 €'000
Italicatessen Limited	9	5
Total related party creditors	9	5

The company paid the following amounts to Mr. Giorgio Guastalla, Director of the Company, and shareholder of P.E.Q Holdings Limited, in respect of rent on premises occupied by the employees of the Group in Dublin.

	2015 €'000	2014 €'000
Operating expenses		
Rental payment	22	22

The Company entered into a deed of undertaking and indemnity on 8 July 2013 with Mr. Andrew Day, CEO and Director of the Company related to possible liabilities which might arise due to the restructuring of the Group prior to its IPO on 12 July 2013. As part of this deed of undertaking and indemnity, Mr. Day deposited £250,000 as security for the Company. This is included as Restricted Cash in Other Receivables of the Company. This amount has been repaid to Mr. Day in 2016. There is a corresponding liability included in Other Payables.

The details of key management compensation (being the remuneration of the Directors) are set out in note 11.

As at 31 December 2015 and 2014, the Company had amounts receivable from its subsidiaries, amounting to €20,598,567 (2014: €18,389,791) relating to intergroup trading activities.

26 Financial instruments and risk management

Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest changes. The management monitors interest rate fluctuations on a continuous basis and acts accordingly.

Where the Group has a significant amount of surplus cash, it will invest in higher earning interest deposit accounts.

Due to interest rate conditions, the interest rates for short term deposits are at similar levels to those achieved for longer terms. The Group is not unduly exposed to market interest rate fluctuations, and no interest rate sensitivity analysis has been presented as a result.

Credit Risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date.

The Group closely monitors the activities of its counterparties and maintains regular contact which enables it to ensure the prompt collection of customers' balances.

The Group's main financial assets are cash and cash equivalents as well as trade and other receivables and represent the Group's maximum exposure to credit risk in connection with its financial assets. Trade and other receivables are carried on the statement of financial position net of bad debt provisions estimated by the Directors based on prior year experience and an evaluation of prevailing economic circumstances.

Whenever possible and commercially practical the Group invests cash with major financial institutions in each jurisdiction where it operates. The Group periodically monitors the credit rating and stability of these institutions.

Notes Forming Part of the Consolidated and Company Financial Statements
continued

26 Financial instruments and risk management continued

The ageing of trade and receivables that are past due but not impaired can be analysed as follows:

Group

	Total €'000	Not past due €'000	1-2 months overdue €'000	More than 2 months past due €'000
As at 31 December 2015	7,519	5,313	2,049	157
As at 31 December 2014	6,203	3,790	1,311	1,102

The above balances relate to customers with no default history.

A provision for doubtful debtors is included within trade receivables that can be reconciled as follows:

	2015 €'000	2014 €'000
Provision at the beginning of the year	260	81
Charged to income statement	46	199
Utilised	-	(20)
Provision at end of the year	306	260

Related party receivables of €nil were not past due at 31 December 2015 (2014: nil).

Company

Intercompany receivables of €20,598,567 were not past due at December 31, 2015 (2014: €18,389,791).

Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The foreign exchange risk arises for the Group where assets and liabilities arise and are held in overseas subsidiaries in a currency other than the euro and to a lesser extent where individual Group entities enter into transactions denominated in currency other that their functional currency.

The Group's policy, where possible, is for Group entities to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and the expenses incurred and by settling liabilities denominated in their functional currency with cash generated from their own operations in that currency. Where Group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

Over the course of the year the Group's currency has increased and diversified due to the addition of the newly acquired subsidiaries. The Group is predominantly exposed to currency risk on the balances held within working capital within the Group and the exposure is concentrated in the movement of the Canadian Dollar, US dollar and Sterling against the Euro. The effect of a strengthening and weakening of 10% of these currencies against the euro at the reporting date on the working capital balances held at this date would, all other variable held constant, have resulted in the following pre-tax profit/(loss) impact for the year as follows:

	10% strengthening €'000	10% weakening €'000
Canadian Dollar to Euro	347	(315)
United States Dollar to Euro	492	(445)
Sterling to Euro	(1,139)	1,253

Total financial assets and liabilities

The carrying amount of the financial assets and liabilities shown in the Group and Company statements of financial position are stated at fair value.

Liquidity Risk
Liquidity risk arises from the Group's management of working capital and the financial charges on its debt instruments.

The Group's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due.

The following are the contractual maturities (representing undiscounted contractual cash flows) of the Group's and Company's financial liabilities:

Group

Year ended 31 December 2015	Total €'000	Within 1 year €'000	1-2 years €'000	2-5 years €'000
Trade payables	2,761	2,761	–	–
Other accounts payable	8,752	8,452	300	–

Year ended 31 December 2014	Total €'000	Within 1 year €'000	1-2 years €'000	2-5 years €'000
Trade payables	2,322	2,322	–	–
Other accounts payable	8,099	6,881	1,218	–

Company

Year ended 31 December 2015	Total €'000	Within 1 year €'000	1-2 years €'000	2-5 years €'000
Trade payables	132	132	–	–
Other accounts payable	1,481	1,481	–	–

Year ended 31 December 2014	Total €'000	Within 1 year €'000	1-2 years €'000	2-5 years €'000
Trade payables	74	74	–	-
Other accounts payable	2,204	1,133	1,071	-

27 Operating lease commitments
The Group maintains a portfolio of leased properties. The terms of property leases vary from country to country, although they all tend to be tenant repairing with rent reviews every 2 to 5 years and some have break clauses.

The total future value of the minimum lease payments is due as follows:

Group

	2015 €'000	2014 €'000
Not later than one year	1,563	1,231
Later than one year and not later than five years	4,224	4,121
Later than five years	476	1,879
	6,263	7,231

Notes Forming Part of the Consolidated and Company Financial Statements
continued

28 Finance lease commitments

The Group has leased computer equipment (net carrying value €129k) and office telephone systems (net carrying value €43k). Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

The total future value of the minimum lease payments is due as follows:

Group

2015	Minimum lease payments €'000	Interest €'000	Present value €'000
Not later than one year	120	8	112
Later than one year and not later than five years	61	3	58
Later than five years	–	–	–
	181	11	170

2014	Minimum lease payments €'000	Interest €'000	Present value €'000
Not later than one year	128	10	118
Later than one year and not later than five years	153	9	144
Later than five years	–	–	–
	281	19	262

29 Deferred tax

Details of the deferred tax assets and liabilities, and amounts recognised in the profit or loss are as follows:

	Asset 2015 €'000	Liability 2015 €'000	Net 2015 €'000	(Charged)/ credited to profit or loss 2015 €'000
Accelerated capital allowances	63	4	59	41
Personal severance indemnity	26	–	26	–
Available losses	397	–	397	86
Rent – free inducement	27	–	27	(2)
Fixed asset excess of tax over accounting	156	45	111	25
Deferred tax related to Multi Media Tax Credits	–	1,067	(1,067)	(377)
Other temporary and deductible differences	302	58	244	(438)
Deferred tax arising on intangibles	–	1,249	(1,249)	355
Net tax assets/(liabilities)	971	2,423	(1,452)	(310)

All deferred tax assets have been classified in non-current assets in 2015.

30 Non-controlling interest

	Years ended 31 December	
	2015 €'000	2014 €'000
Opening balance	–	–
Liabilities of Kite Team attributable to shareholders at the acquisition date	(50)	–
Loss of Kite Team for the period attributable to the shareholders of the group	(109)	–
Contingent consideration for the purchase of the remaining 50% if Kite Team	(1,150)	–
Closing balance	(1,309)	–

Keywords International Limited has acquired 50% of the issued share capital of Kite Team, a company registered in Spain and is set out in note 31.

During the period since acquisition the group has recognised its 50% share of the loss incurred in the company.

At the time of acquisition a put and call option was put in place which obligated the Group to purchase the remaining 50% of Kite Team. The Group estimates that the fair value of consideration required to purchase the remaining 50% is €1,150,000. In accordance with IAS 32 the company has recognised a financial liability as at 31 December in relation to the put and call option. The corresponding movement has been recorded in equity.

31 Acquisitions completed in the current year

Acquisition of Alchemic Dream Inc.

On 6 January 2015 the Group acquired the entire issued share capital of Alchemic Dream Inc, a company registered in Canada, which specialises in providing live operations support to on-line games for a number of game publishers. The acquisition is in line with the Group's strategy to diversify into the provision of complementary services to the video game market and strengthens the Group's service of games already in production. Additionally the acquisition leverages the Group's existing expertise, locations, scale and global reach to extend the services provided by Alchemic Dream as well as generating synergies.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Property, plant and equipment	38	(21)	17
Identifiable intangible assets – customer relationships	–	286	286
Trade and other receivable	802	(111)	691
Cash and cash equivalents	38	–	38
Trade and other Payables	(803)	–	(803)
Deferred tax liabilities	–	(36)	(36)
Total identifiable assets	75	118	193
Goodwill			690
Total consideration			883
Satisfied by:			
Cash			883
Net cash outflow arising on acquisition			
Cash			883
Less: cash and cash equivalent balances transferred			(38)
			845

The intangibles assets are to be amortised over their estimated useful lives of 5 years.

The main factors leading to recognition of goodwill on the acquisition of Alchemic Dream are the presence of certain intangible assets in the acquired entity which do not value for separate recognition such as the expertise in customer service, reputation within the industry, and, an unidentified proportion representing the balance contributing to profit generation.

Alchemic Dream contributed €4,100,036 revenue and €348,608 profit before tax to the Group between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, revenue of €4,161,397 would have been contributed to the Group and €359,996 profit before tax before taking into account fair value adjustments of €154,193.

Acquisition costs of €67,146 have been charged through the Comprehensive Income Statement.

31 Acquisitions completed in the current year continued

Acquisition of Reverb Localização – Preparação de Documentos Ltda

On 18 January 2015 the Group acquired 100% of the issued share capital of Reverb Localização – Preparação de Documentos Ltda ("Reverb"), a company registered in Brazil. Reverb provides localisation and audio management services for Brazilian Portuguese for some of the leading games publishers. Reverb Studios was acquired to widen the scope of the Group's services business and to extend the Group's client base.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Trade and other receivable	14	–	14
Cash and cash equivalents	12	–	12
Total identifiable assets	26	–	26
Goodwill			274
Total consideration			300
Satisfied by:			
Cash			200
Deferred consideration			100
Total consideration transferred			**300**
Net cash outflow arising on acquisition			
Cash consideration			200
Less: cash and cash equivalent balances transferred			(12)
			188

The main factors leading to recognition of goodwill on the acquisition of Reverb are the presence of certain intangible assets in the acquired entity which do not value for separate recognition such as the expertise in sound recording and localisation, reputation within the industry, and, an unidentified proportion representing the balance contributing to profit generation.

Reverb contributed €544,043 revenue (including €79,097 of intercompany sales subsequently billed onwards) and €238,539 profit before tax to the Group between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, revenue of €572,234 would have been contributed to the Group and €243,770 profit before tax.

Acquisition costs of €1,224 have been charged through the Comprehensive Income Statement.

Acquisition of Kite Team

On 16 July 2015 the Group acquired 50% of the issued share capital of Kite Team, a company registered in Spain. Kite provides localisation and audio management services for some of the leading games publishers. The acquisition is in line with the Group's strategy to diversify into the provision of complementary services to the video game market and strengthens the Group's service of games already in production.

The Directors of the Group have reviewed IFRS 10 (Consolidated Financial Statements) and are satisfied that the Group has effective control of Kite Team and accordingly at the date of acquisition it is treated as a subsidiary within the consolidation.

At the date of acquisition the Group set up a put and call option to acquire the remaining 50% of the share capital of Kite Team by the end of 2017. The option price is dependent upon a number of criteria set out in the Share Purchase Agreement. As a consequence of the put option a financial liability has been recognised as at 31 December 2015 which is based on the Groups estimate of the value which would be payable to acquire the remaining 50% of the share capital. The fair value of this financial liability is €1,150,000 which has been recorded in other payables in accordance with IAS 32.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Property, plant and equipment	322	–	322
Trade and other receivable	377	–	377
Cash and cash equivalents	117	–	117
Trade and other payables	(291)	–	(291)
Long term loan	(625)	–	(625)
Total identifiable liabilities	(100)	–	(100)
Less non-controlling interest	50	–	50
KWS share of total identifiable liabilities	(50)	–	(50)
Goodwill			550
Total consideration			500
Satisfied by:			
Cash			500
Net cash outflow arising on acquisition			
Cash consideration			500
Less: cash and cash equivalent balances transferred			(117)
			383

The main factors leading to recognition of goodwill on the acquisition of Kite are the presence of certain intangible assets in the acquired entity which do not value for separate recognition such as the expertise in sound recording and localisation, reputation within the industry, and, an unidentified proportion representing the balance contributing to profit generation.

Kite contributed €610,307 revenue (including €304,681 of intercompany sales subsequently billed onwards) and €217,721 of a loss before non – controlling interest to the Group between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, revenue of €1,149,460 would have been contributed to the Group and €301,124 of a loss before non-controlling interest.

Acquisition costs of €70,174 have been charged through the Comprehensive Income Statement.

Notes Forming Part of the Consolidated and Company Financial Statements
continued

31 Acquisitions completed in the current year continued

Acquisition of Liquid Development LLC

On 20 August 2015 the Group acquired 100% of the assets of Liquid Development through the purchase of the membership interests. The company registered in USA specialises in providing art creation services for the video games industry. The acquisition is in line with the Group's strategy to diversify into the provision of complementary services to the video game market and strengthens the Group's service of games already in production.

The Directors of the Group have reviewed the requirements of IFRS 3 (Business Combinations) paragraph B5 – B12 and concluded that as Liquid Development constitutes an on-going business within the Group that it should be accounted for as a business combination.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Property, plant and equipment	–	108	108
Identifiable intangible assets – customer relationships	–	1,225	1,225
Trade and other receivable	340	–	340
Cash and cash equivalents	269	–	269
Trade and other payables	(185)	–	(185)
Deferred tax liabilities	–	(541)	(541)
Total identifiable liabilities	424	792	1,216
Goodwill			6,801
Total consideration			8,017
Satisfied by:			
Cash			5,365
Equity instruments (1,074,440 shares of the parent company)			2,413
Deferred consideration			239
Total consideration transferred			**8,017**
Net cash outflow arising on acquisition			
Cash consideration			5,365
Less: cash and cash equivalent balances transferred			(269)
			5,096

The deferred consideration recorded within other payables represents the fair value amount of the balance due.

The main factors leading to recognition of goodwill on the acquisition of Liquid Development are the presence of certain intangible assets in the acquired entity which do not value for separate recognition such as the expertise in art creation services, reputation within the industry, and, an unidentified proportion representing the balance contributing to profit generation. The fair value of the shares issued as part of the acquisition has been determined as being the share price on the date of the transaction.

Liquid Development contributed €1,999,469 revenue and €345,591 profit before tax to the Group between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, revenue of €6,068,150 would have been contributed to the Group and €1,169,440 profit before tax.

Acquisition costs of €63,145 have been charged through the Comprehensive Income Statement.

32 Business combinations completed in prior periods

Acquisition of Liquid Violet Limited

On 15 January 2014 the Company acquired the entire issued share capital of Liquid Violet Limited, a video games voice production services company, registered in the UK. Liquid Violet specialises in the management, on behalf of major video game publishers and the acquisition is in line with the Group's strategy of growing both organically and by acquisition to extend the Group's client base, market penetration or service lines, where the Group can use its existing expertise, multi-service platform, scale and global reach to generate synergies.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below.

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Property, plant and equipment	15	–	15
Identifiable intangible assets – customer relationship	–	204	204
Trade and other receivables	65	–	65
Cash and cash equivalents	95	–	95
Trade and other payables	(133)	–	(133)
Deferred tax liabilities	–	(41)	(41)
Total identifiable assets	42	163	205
Goodwill			1,043
Total consideration			1,248
Satisfied by:			
Cash			361
Deferred consideration			887
Total consideration transferred			**1,248**
Net cash outflow arising on acquisition			
Cash consideration			361
Less: Cash and cash equivalent balances transferred			(95)
			266

The intangibles assets are to be amortised over their estimated useful lives of 5 years.

The main factors leading to recognition of goodwill on the acquisition of Liquid Violet are the presence of certain intangible assets in the acquired entity which do not value for separate recognition such as the expertise in sound recording, reputation within the industry, and, an unidentified proportion representing the balance contributing to profit generation.

The sale purchase agreement includes a provision for an earn out which is based on Profit after tax over the next 2 years. The earn out amount was shown as deferred consideration and was calculated from management's best estimates based on the available information. The maximum value of the deferred consideration is €1,565,890.

During 2014 Liquid Violet contributed €376,343 revenue (including €2,827 of intercompany sales subsequently billed onwards) and €15,021 loss before tax to the Group between the date of acquisition and the reporting date (31 December 2014). If the acquisition had been completed on the first day of the financial year, revenue of €385,590 would have been contributed to the Group (including intercompany sales) and € 50,687 loss before tax for 2014.

Acquisition costs of €39,324 have been charged through the Statement of Comprehensive Income in 2014.

The deferred consideration amount has been reviewed and updated in the 2015 financial statements. No money was paid out in 2015 and the value of the deferred consideration which will be payable in 2016 has reduced from €887,000 estimated at 31 December 2014 to €703,000. The reduction in deferred consideration has been charged through the income statement. The value of the consideration has been updated based on a combination of actual trading in 2015 from April to the end of the year and management's best estimate, based on available information, of the forecast trading in the first quarter of 2016.

Notes Forming Part of the Consolidated and Company Financial Statements
continued

32 Business combinations completed in prior periods continued

Acquisition of Babel Media Group

On 17 February 2014, the Company acquired the entire issued share capital of Babel Media Limited, a company registered in the UK, together with its subsidiary companies. Babel Media is a leading provider of outsourced video games services with operations in the UK, Canada and India.

The acquisition will extend the Group's client base, market penetration or service lines, where the Group can use its existing expertise, multi-service platform, scale and global reach to generate synergies.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below.

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Property, plant and equipment	666	(225)	441
Identifiable intangible assets – customer relationship	–	964	964
Trade and other receivable	2,721	(65)	2,656
Cash and cash equivalents	(858)	–	(858)
Trade and other payables	(1,506)	(260)	(1,766)
Short term loan	(292)	–	(292)
Long term loan	(2,705)	–	(2,705)
Deferred tax liabilities	–	(111)	(111)
Total identifiable assets	(1,974)	303	(1,671)
Goodwill			4,375
Total consideration			2,704
Equity instruments (1,516,944 shares of parent company)			2,704
Total consideration transferred			**2,704**
Net cash outflow arising on acquisition			
Cash consideration			–
Less: Cash and cash equivalent balances transferred			858
			858

The intangibles assets are to be amortised over their estimated useful lives of 5 years.

The main factors leading to recognition of goodwill on the acquisition of Babel Media are the presence of certain intangible assets in the acquired entity which do not value for separate recognition such as the expertise in provision of technical services, reputation within the industry, cost synergies with the Keywords Group, and, an unidentified proportion representing the balance contributing to profit generation.

During 2014 Babel Media contributed €9,846,217 revenue (including €253,127 of intercompany sales subsequently billed onwards) and €1,439,927 profit before tax to the Group before integration costs of €823,790, between the date of acquisition and the reporting date (31 December 2014). If the acquisition had been completed on the first day of the financial year, revenue of €10,882,199 (including intercompany sales) and €1,389,857 profit before tax for 2014 would have been contributed to the group before fair value adjustments of €302,503.

Acquisition costs of €123,906 and integration costs of €823,790 have been charged through the Statement of Comprehensive Income in 2014.

Acquisition of Binari Sonori S. R. L.

On 8 May 2014 the Group acquired 100% of the issued share capital of Binari Sonori S. R. L. ("Binari Sonori")for a cash consideration of €8,922,409 and consideration of €3,000,000 in KWS Group shares, obtaining control of Binari Sonori. The principal activity of Binari Sonori is the provision of outsourced voice-over and translation services to the international video games market. Binari Sonori was acquired to strengthen the Group's audio services and translation services business and to extend the Group's client base.

The amounts recognised in respect of the identifiable assets acquired, liabilities assumed, purchase consideration and goodwill are set out in the table below.

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Property, plant and equipment	658	–	658
Identifiable intangible assets – customer relationship	–	1,791	1,791
Trade and other receivable	1,087	–	1,087
Cash and cash equivalents	3,143	–	3,143
Trade and other payables	(1,711)	(165)	(1,876)
Deferred tax liabilities	–	(511)	(511)
Total identifiable assets	3,177	1,115	4,292
Goodwill			7,630
Total consideration			11,922
Satisfied by:			
Cash			8,622
Equity instruments (1,555,650 shares of parent company)			3,000
Deferred consideration settled in 2015			300
Total consideration transferred			**11,922**
Net cash outflow arising on acquisition			
Cash consideration			8,622
Less: cash and cash equivalent balances transferred			(3,143)
			5,479

The intangibles assets are to be amortised over their estimated useful lives of 5 years.

The main factors leading to recognition of goodwill on the acquisition of Binari Sonori are the presence of certain intangible assets in the acquired entity which do not value for separate recognition such as the expertise in sound recording, reputation within the industry, and, an unidentified proportion representing the balance contributing to profit generation.

The sale purchase agreement had an earn out arrangement which has subsequently been satisfied on 19 January 2015 by consideration of €300,000 provided in the form of 158,250 shares in Keywords Studios Plc.

During 2014 Binari Sonori S.R.L contributed €7,059,626 revenue (including €187,586 of intercompany sales subsequently billed onwards) and €1,068,991 profit before tax to the Group between the date of acquisition and the reporting date (31 December 2014). If the acquisition had been completed on the first day of the financial year, revenue of €9,049,493 (including intercompany sales) and €684,438 profit before tax for 2014 would have been added to the group before fair value adjustments of €1,115,348.

Acquisition costs of €156,917 have been charged through the Statement of Comprehensive Income for 2014.

Notes Forming Part of the Consolidated and Company Financial Statements
continued

32 Business combinations completed in prior periods continued

Acquisition of Lakshya Digital Private Limited

On 10 October 2014 the Group acquired 91% of the issued share capital of Lakshya Digital Private Limited for a cash consideration of €2,373,780. A further agreement to buy the remaining 9% of the company on 10 October 2015 was signed for a consideration of €703,342 and the Group was committed to go through with this purchase in 2014, hence the company was 100% consolidated into the Group results.

The principal activity of Lakshya Digital Private Limited is the provision of outsourced art creation services to the international video games market. Lakshya Digital Private Limited was acquired to widen the scope of the Group's services business and to extend the Group's client base.

The amounts recognised in respect of the identifiable assets acquired, liabilities assumed, purchase consideration and goodwill are set out in the table below.

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Property, plant and equipment	567	–	567
Identifiable intangible assets – customer relationship	–	475	475
Trade and other receivable	1,915	(1,276)	639
Cash and cash equivalents	88	–	88
Trade and other payables	(588)	(60)	(648)
Deferred tax asset	–	293	293
Total identifiable assets	1,982	(568)	1,414
Goodwill			1,663
Total consideration			3,077
Satisfied by:			
Cash			2,374
Deferred consideration			703
Total consideration transferred			**3,077**
Net cash outflow arising on acquisition			
Cash consideration			2,374
Less: cash and cash equivalent balances transferred			(88)
			2,286

The intangibles assets are to be amortised over their estimated useful lives of 5 years.

The main factors leading to recognition of goodwill on the acquisition of Lakshya Digital Private Limited are the presence of certain intangible assets in the acquired entity which do not value for separate recognition such as the expertise in sound recording, reputation within the industry, and, an unidentified proportion representing the balance contributing to profit generation.

During 2014 Lakshya Digital Private Limited contributed €612,485 revenue and €209,839 loss before tax to the Group between the date of acquisition and the reporting date (31 December 2014). If the acquisition had been completed on the first day of the financial year, revenue of €3,061,966 and €361,658 loss before tax for 2014 would have been added to the group before fair value adjustments excluding customer relationships of €567,924.

Acquisition costs of €93,022 have been charged through the Statement of Comprehensive Income for 2014.

In October 2015 the group acquired the remaining 9% stake in Laskhya Digital Private Limited for €897,000. The amount was greater than the €703,342 previously disclosed due to a combination of a discount factor included within the 2014 figure and foreign currency movements. Additionally a further review of fixed assets acquired showed that they had been initially overstated at the time of acquisition and a further depreciation charge of €39k has been made which has been recorded against goodwill.

33 Events after the reporting date

Acquisition of Ankama Asia Pte.Ltd.

On 22 March 2016 the Group acquired the entire issued share capital of Ankama Asia Pte Ltd, a company registered in Singapore, which specialises in providing services to support the live operations of the games of Ankama. The company has a four year agreement for the continued provision of service to Ankama and also plans to significantly increase the scale of the Studio, which is based in Manila, to service new and existing clients of Keywords. The acquisition will strengthen Keywords range of customer service offerings to customers with online and mobile games.

Under the terms of the acquisition, which will be immediately earnings enhancing, a total consideration of €292k in cash will be paid to the sellers.

The book value acquired of net assets is as follows:

	Book value €'000
Financial assets	
Trade and other receivable	12
Cash and cash equivalents	68
Trade and other Payables	(38)
Total identifiable assets	42
Goodwill	250
Total consideration	292
Satisfied by:	
Cash	292
Net cash outflow arising on acquisition	
Cash	292
Less: cash and cash equivalent balances transferred	(68)
	224

At the date of authorisation of these financial statements a detailed assessment of the fair value of the identifiable net assets has not been completed. Information on the revenue and impact on profit due to this acquisition has not been disclosed as it is impracticable to do so at this point in time.

Acquisition of Mindwalk Studios Inc and Mindwalk Studios Ltd.

On 1 April 2016 the Group announced that it has entered into an agreement to acquire the business and assets of Mindwalk Studios Inc, a company registered in China, and Mindwalk Studios Ltd, a company registered in the British Virgin Islands, which specialise in art creation services. The acquisition is anticipated to be completed, subject to certain conditions to be fulfilled, by no later than 30 June 2016. The acquisition will increase Keywords capacity in the fast growing art market and will provide access to art talent in the Chinese market.

Under the terms of the acquisition, which is anticipated to be earnings enhancing, the total consideration is US$5.5m. This will be satisfied by the payment of US$3.9m in cash to the sellers and the remaining US$1.6m in Keywords Studios plc shares to be issued to the sellers. At the date of authorisation of these financial statements no further information was available.

Company Information

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Secretary	Andrew Lawton
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Principal Bankers	Barclays Bank 27 Soho Square London W1D 3QR
Nominated Adviser and Broker	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
Financial PR Adviser	MHP Communications 6 Agar Street London WC2N 4HN
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Notes

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Designed and produced by Emperor
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