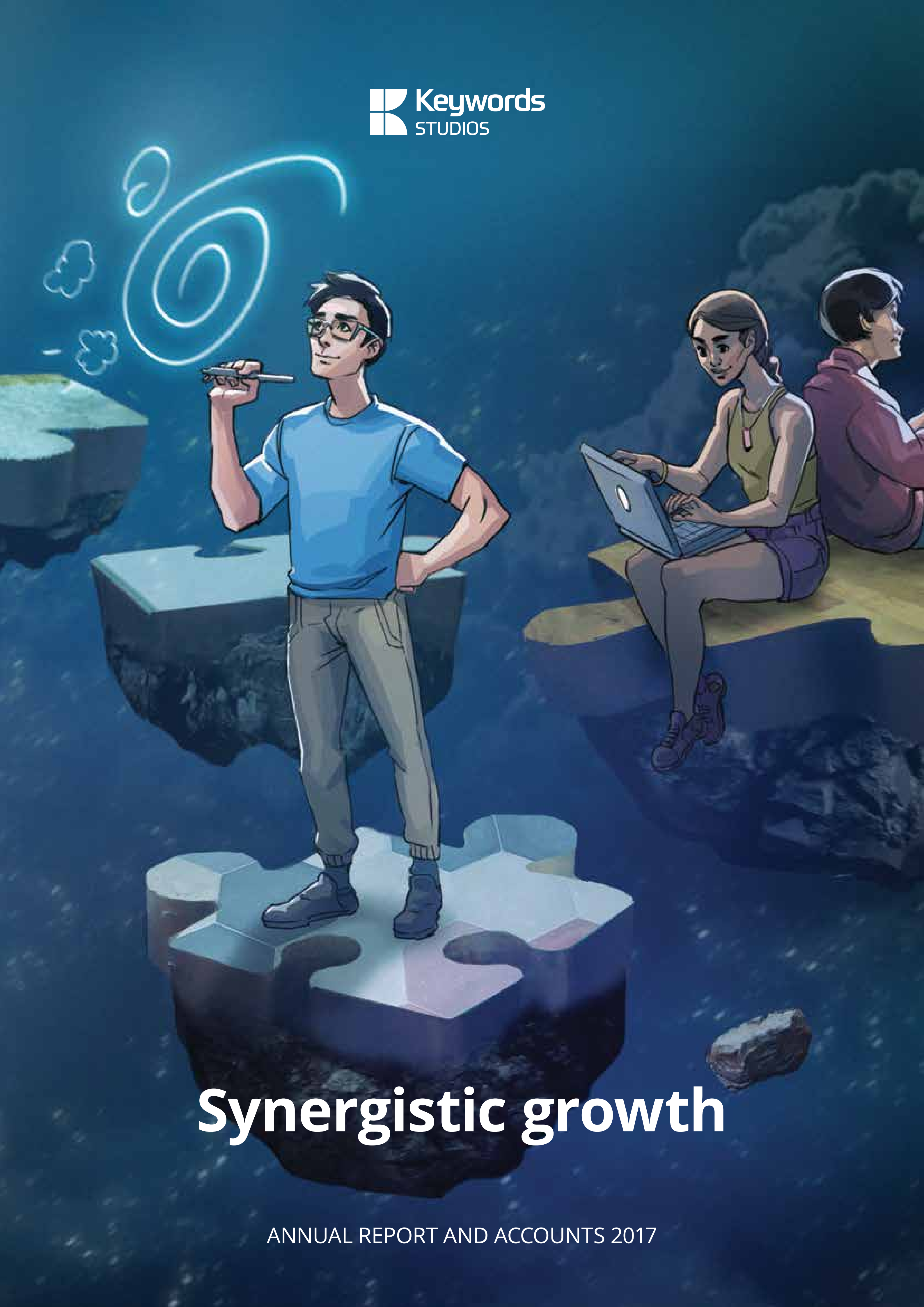


Keywords
STUDIOS

Synergistic growth

ANNUAL REPORT AND ACCOUNTS 2017

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

Established in Dublin in 1998, Keywords now has 42 facilities in 20 countries strategically placed across Europe, North and South America and Asia. It provides integrated art creation, software engineering, testing, localisation, audio and customer support services across more than 50 languages and 16 games platforms, to a blue-chip client base around the globe.

It has a strong market position with customers from many of the well-known multi-national games publishers and developers including 23 out of the 25 largest games companies by revenue.

50+
Providing services across more than 50 languages

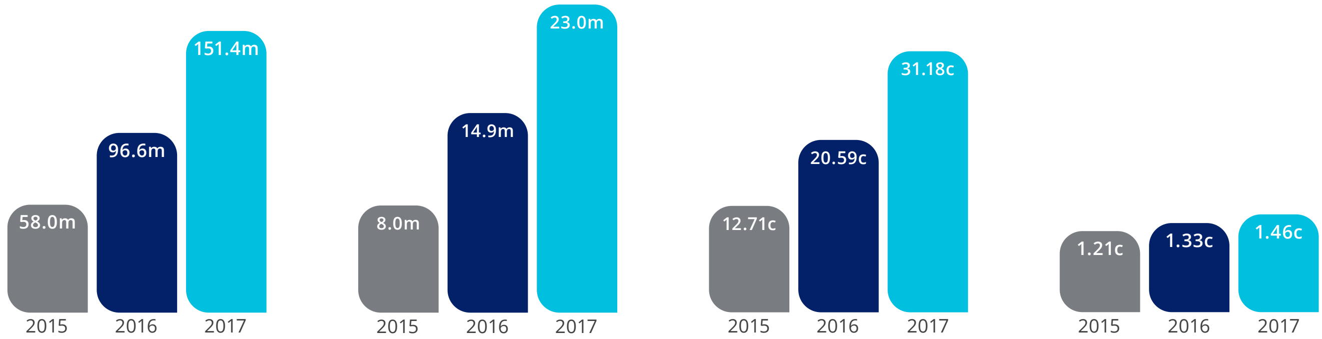
16+
More than 16 games platforms to a blue-chip client base of over 600 clients

23
Serving 23 of the top 25 games companies by revenue

42
Studios in 20 countries

Visit the website for further information
www.keywordsstudios.com

Highlights in 2017



Revenue (m)	*Adjusted profit before tax (m)	*Adjusted earnings per share (c)	Dividend per share (p)
€151.4m	€23.0m	31.18c	1.46p
+57% (year-on-year)	**+55%** (year-on-year)	**+52%** (year-on-year)	**+10%** (year-on-year)

* Before acquisition and integration expenses, share option charges, amortisation of intangibles, and foreign currency exchange.

Strategic Report
01-31

Governance
32-40

Financial Statements
41-96

At a Glance

Further extended our global reach

The Group now has over 40 studios strategically located in 35 cities worldwide to provide full, integrated services by combining a presence that is local to our clients in key gaming clusters with lower cost production sites across four continents. Since the beginning of 2017, we have expanded further organically and by acquisition into new locations including Santa Clara (California), Raleigh (North Carolina), St. Petersburg, Volgograd and Krakow.

Keywords Studios continues to build world-leading capabilities in services that video game and similar interactive content creators need. We stand shoulder-to-shoulder with our clients working as their external or co-development partner to provide dedicated outsourced or embedded services, providing access to our teams of experts where and when needed. Today we have breadth and depth in seven service lines.

Art Creation

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

See more on page 18.

€26.2m

+58%

Engineering*

Collaborating with clients to deliver richer definition for their video gaming titles, learning applications or visualisation and simulation experiences. Provide access to development services and exclusive technology platforms that enhance both the visual elements and the unseen performance aspects of video games.

See more on page 18.

€3.6m

Audio

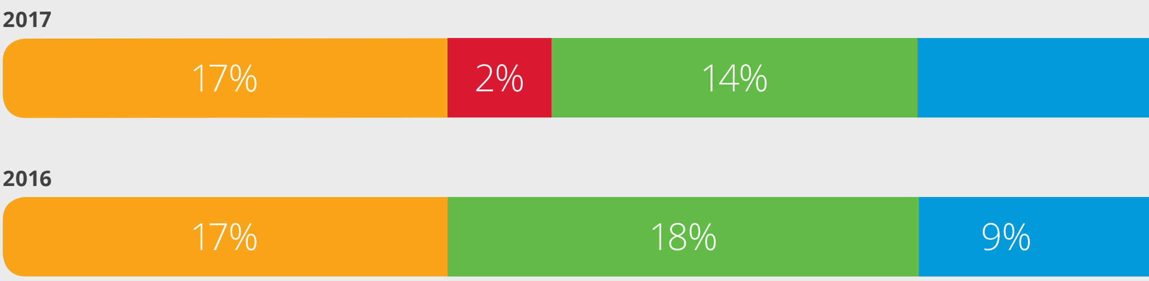
Multi-language voiceover recording, original language voice production and related services.

See more on page 18.

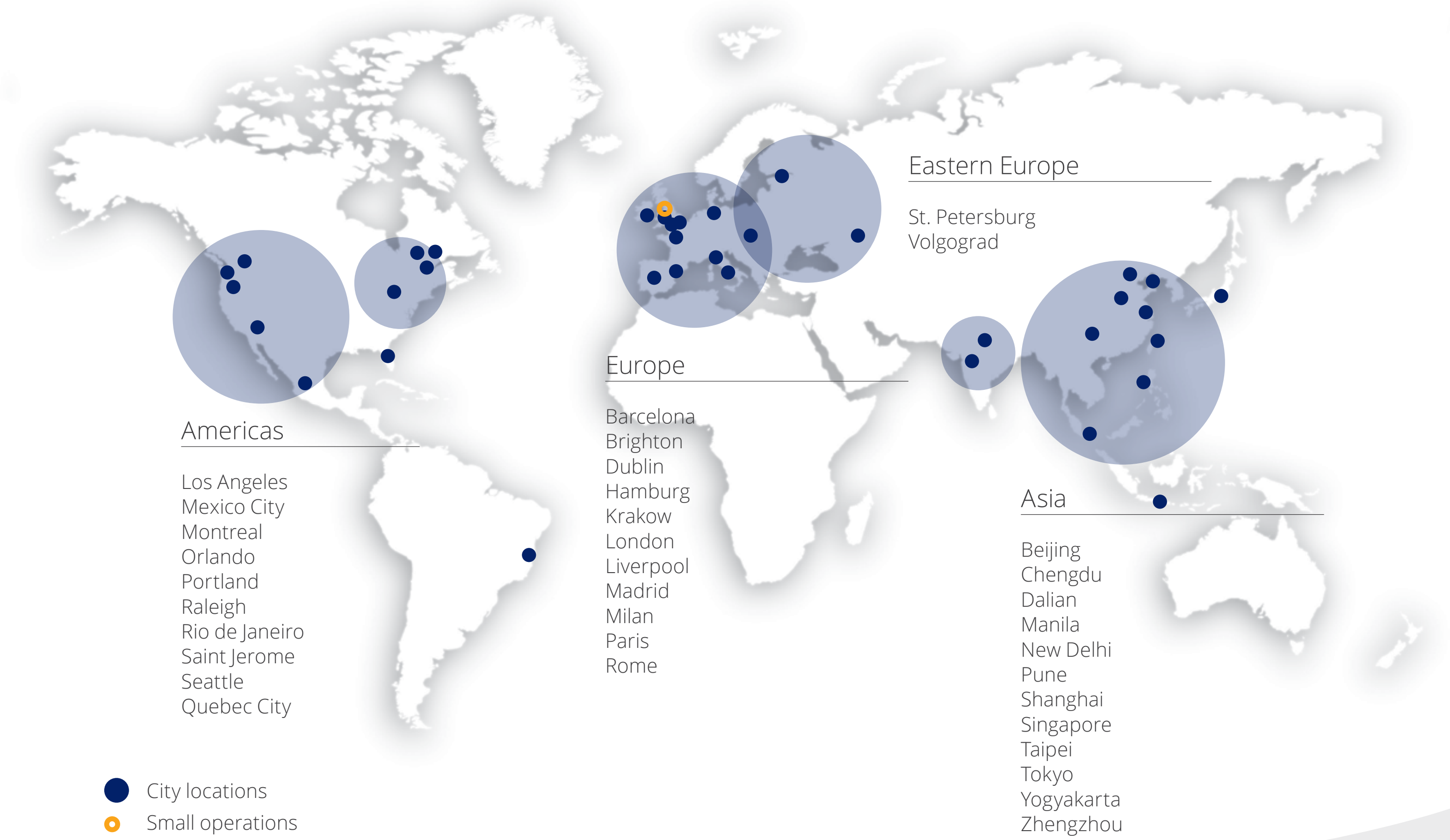
€20.7m

+20%

Revenue breakdown by service:



* The Group's Engineering Service Line was created in 2017 therefore there are no figures available for 2016.



Functional Testing

Quality assurance, including discovery and documentation of game defects and testing to verify the game's compliance with hardware manufacturers' and app stores' specifications, as well as focus group and user experience testing and consulting.

See more on page 20.

Localisation

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

See more on page 20.

Localisation Testing

Testing for out of context translations, truncations, overlaps, spelling, grammar, age rating issues, geopolitical and cultural sensitivities and console manufacturer compliance requirements in over 30 languages using native speakers.

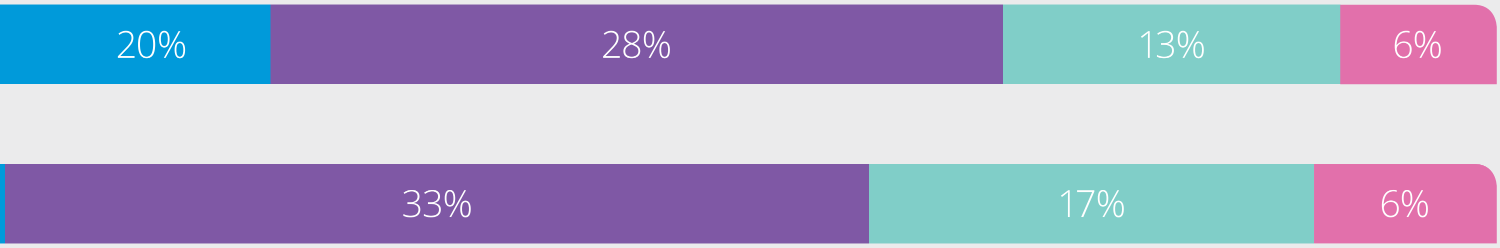
See more on page 23.

Customer Support

24/7, multilingual support for gamers when games are in live operation, forum monitoring and moderation services and social media engagement on behalf of the game brand.

See more on page 23.

Functional Testing	Localisation	Localisation Testing	Customer Support
€30.0m	€42.0m	€19.9m	€9.2m
248%	+30%	+22%	+64%



Investment Summary

Keywords is better placed than ever to continue to capture share of its high growth market by deepening its relationships with clients that already trust it with their high value IP, having significantly extended its services and geographical reach during the year.

Access to high growth market

Keywords operates in an exciting high growth market, without the risk of direct exposure to the successes or failures of individual game titles and our focus on content means that we are platform agnostic. The increased sophistication of games and complexity of the video games market is driving demand for larger, professional, outsourced specialists, such as Keywords, in a highly fragmented supplier market.

Market leading position

Keywords has a market leading position as the only global provider of fully integrated outsourced creative and technical services to the global video games industry. With an industry reputation for quality, reliability and flexibility, our scale and reputation mean we are well placed to take advantage of the trend for clients to move to more collaborative partnerships with fewer, larger suppliers.

Strong growth record

In addition to delivering strong like-for-like growth, we have successfully acquired and integrated 25 acquisitions since IPO adding three new services (Art Creation, Customer Support, and Engineering); extending our existing service lines to bring us even closer to our clients, by adding embedded technical services, co-development and content management systems; and expanding our geographical reach.

We are a trusted partner to leading companies around the world, with a strong market position, providing services to 23 of the top 25 most prominent games companies, including:

Google
SEGA
WB Games
EA
facebook
KONAMI
NCSOFT
Microsoft
Disney Interactive
Ubisoft
colopl
Sony Interactive Entertainment
SQUARE ENIX
NEXON
T2
BANDAI NAMCO Games
MZ
netmarble
mixi
Tencent Games
SUPERCELL
DeNA
NetEase Games

Opportunity to grow further

Having made strong progress in extending the Group's client base, market penetration, geographic footprint and service lines, we now see significant potential for increased cross-pollination of our service lines and geographic locations, including taking advantage of our dual shore capabilities, as we increasingly become strategic partners to our clients.

A strong business model

Keywords' flexible resourcing and charging model, with charges levied for time or output rather than a fixed price, combined with relatively low working capital and capital expenditure requirements support its ability to grow the business whilst also achieving strong cash conversion.

Adjacent market potential

Our expertise in providing outsourced solutions to the video games industry is already being sought after in adjacent markets such as film and television, and Keywords is well placed to deliver this.

Chairman's Statement

Significant growth globally

“ The Group's strong performance reflects the continuation of our proven strategy. ”

Ross Graham
Chairman

I am delighted to report another excellent performance, with the Group having delivered significant revenue growth, whilst maintaining margins, to achieve a 55% increase in adjusted profit before tax to €23.0m in the year (2016: €14.9m).

The Group's strong performance reflects the continuation of our proven strategy to supplement strong organic growth with acquisitions that further extend the Group's services and geographical reach to position us as the leading creative and technical services provider to the global video games industry. We made eleven acquisitions during the year, including two of our largest to date, VMC and Sperasoft. These acquisitions have enabled us to form a new Engineering service line of scale, add co-development expertise, expand the capacity of and capabilities within our existing service lines considerably and extend our geographical reach into Eastern Europe.

In addition, we have invested in expanding capacity at many of our studios including Montreal, Zhengzhou, Manila, Dublin, Madrid and Tokyo during the year with further investments in expansion planned for 2018.

Managing and funding growth

Part of the success of the Group can be attributed to the ability of the management team to source, execute and integrate acquisitions effectively across the globe and across our service lines whilst retaining the Keywords culture, which is a particular competency the team has built since IPO. That this has been accomplished across all of our service lines, now embracing over 40 studios in 20 countries, during 2017 is a notable achievement.

During the year, we raised £75m via a placing (before expenses), which was very well subscribed and we would like to thank our shareholders for their continued support. Since the year end, we have agreed terms for a new bank facility, initially for €75m over a three-year term with the option to extend the facility to €105m and by a further two years. The new facility replaces the existing €35m facility and is on improved terms. Together with our strong cash generation (the Group finished 2017 with €11.1m of net cash) this gives us further headroom to make acquisitions.

We are very comfortable with this level of debt, given that a high proportion of the Group's revenues can be predicted with some certainty, and seek to maintain a mix of funding for our growth strategy which both gives us the flexibility to act on our investment decisions and enhances shareholder value.

People and Board

The Group's progress is a great credit to every single Keywords person who has helped make it happen. During the year our CEO, Andrew Day, was accorded the honour of being voted as CEO of the year at the Grant Thornton Quoted Company Awards 2018, a much-deserved tribute for someone who has been the very essence of Keywords – its dynamism, client focus and culture – but the award is also a tribute to the whole Keywords team.

I would like to thank my fellow Directors, whose complement has been strengthened by the appointments of Charlotta Ginman and Georges Fornay during the year. Both have added their own strengths to the Board, which benefits from a diversity of views in its highly constructive discussions which I believe ensures the Board operates effectively, to the benefit of the Group as it grows. Charlotta brings with her extensive investment banking, technology and mobile industry and PLC experience whilst Georges brings with him strong video games industry expertise.

I would also like to thank the senior management team and all the hard-working employees within the Group. There is a tremendous spirit within the businesses which makes Keywords a success, with a culture of continuous improvement which encourages everyone to make their own contributions towards consistently ensuring we provide the best service possible to our clients.

Dividend

In line with our 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 0.98p per share which, following the interim dividend payment of 0.48p per share, will make the total dividend for the year ending 31 December 2017 1.46p per share, an increase of 10% compared to 2016.

Summary and outlook

Following a highly successful 2017, we entered 2018 with pro forma revenues of €225m derived from a more diversified, better balanced business with an expanded range of services and locations that will support our aim to increasingly become a key strategic partner to the major games companies.

It is a pleasure to Chair a Group which has a strong business model that supports profitable growth and high cash conversion, where the strategic aims are clearly defined, and that serves an industry which is growing fast in which we can increase our share by offering an expanding array of services.

The Keywords team remains highly focussed on delivering the high standard of work we have come to be known for and maintaining the trust and confidence of our clients as we grow both organically and by acquisition. I am, therefore, confident that the Group will make further progress as it continues to build upon its strengthened services platform with considerable scope for further growth.

Ross Graham
Chairman
9 April 2018

Market Overview

The leading provider in a growing market

Keywords operates in an exciting high growth market, without the risk of exposure to the successes or failures of individual game titles.

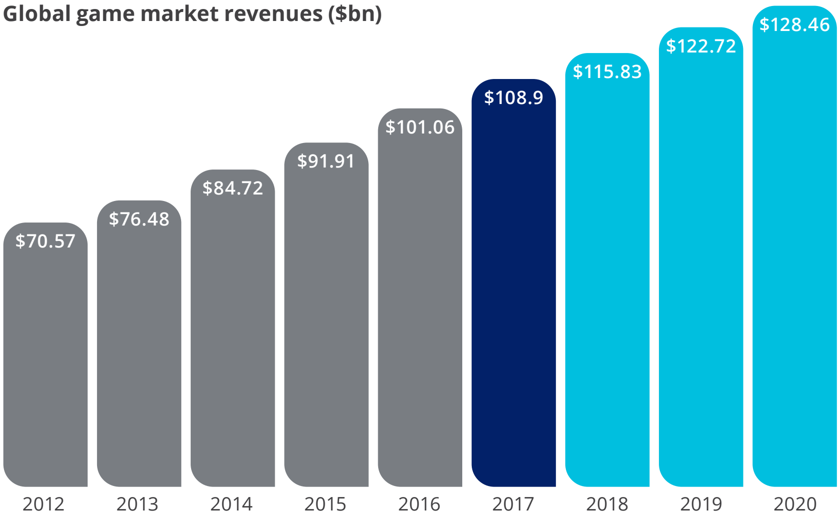
No signs of slowing

The global games market is constantly growing and developing with consumers spending more time than ever on games, as regular updates to consoles smooth and lengthen their cycles, whilst a trend towards the portability of consoles helps extend "screen time". The millennial generation in particular are perpetuating this trend as games now cater to a much wider variety of interests.

This has clearly been proven in recent years as revenues in the global games market have surpassed the $100 billion mark (Source: NewZoo Global Games Market Report, June 2017). Data suggests this won't be stopping any time soon, with revenues set to reach almost $130 billion by 2020 representing a Compound Annual Growth Rate ("CAGR") of around 6%. Mobile continues to lead the charge, with smartphones accounting for 32% of global revenue in 2017 and representing the largest single category contributor and the fastest growing end-market in gaming. Goldman Sachs anticipates this could reach 40% by 2021 (Source: Entering the halcyon days of Gaming's digital age, Goldman Sachs Investment Research, September 2017).

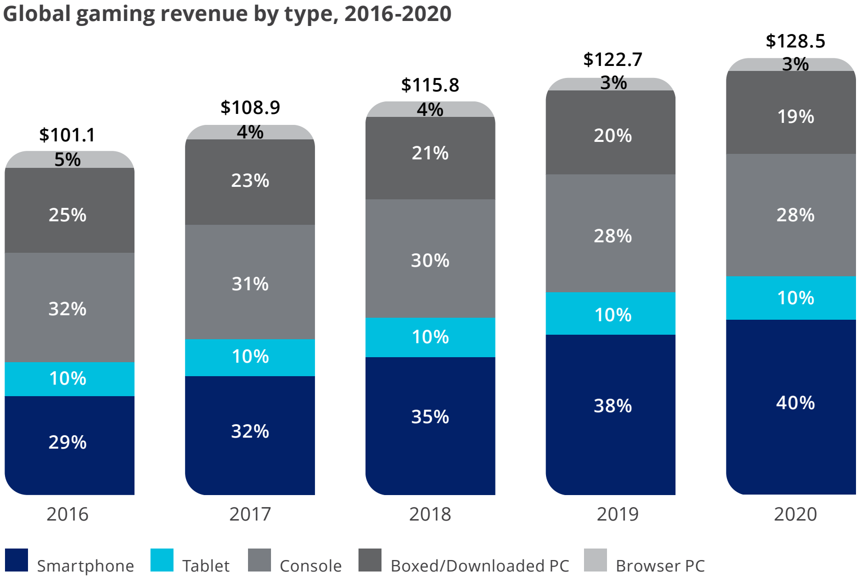
Games companies are no longer simply producing games and increasingly are turning game IP into entertainment franchises which has forced them to rethink their position in the broader entertainment industry, which in turn increases demand to engage outsourced service providers such as Keywords.

Global game market revenues ($bn)



Source: NewZoo

Global gaming revenue by type, 2016-2020



Source: NewZoo, Goldman Sachs

Service provision

The market continues to be very fragmented with a large number of small specialist suppliers available to choose from and, in order to meet the growing demand from the global video games market, companies are having to adapt their service provision for the most part due to the changing demands from customers.

Increasingly customers are looking to outsource multiple services to providers who can offer all of these under one umbrella, by way of strategic partnerships, as well as exploring more co-development, in which significant parts of, or even full games, are developed on behalf of game developers or game publishers. This trend shift makes groups with a diverse and broad offering very attractive, particularly to smaller service providers looking to become part of a larger organisation.

According to Goldman Sachs, an M&A cycle should benefit the scale players such as Keywords. With rising barriers to entry across the sector, they expect to see consolidation in the sector as larger firms use growing cash balances to acquire high-quality smaller companies, particularly in the mobile sector – the largest and fastest-growing gaming market (Source: Goldman Sachs, September 2017).

Our Strategy

Profitable and synergistic growth

Our vision

To be the "go to" global service delivery platform for the video games industry.

Our strategy

To grow 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 service industry.

Geographic reach represents an important component of our strategy, where we seek to gain access to markets for the best talent or to be close to our clients.

As a more diversified, better balanced business with an expanded range of services and locations to offer our clients, we see many opportunities to extend our existing relationships and become a strategic partner to major games companies, both through providing additional services to existing customers and through providing dedicated outsourced services.

Strategic Priority

Developing customer relationships and outsourcing

Progress in 2017

- Good progress being made in becoming a strategic partner to major games companies.
- Repeat business from existing customers accounted for 80% of revenues (up from 72%).
- 93 of our 646 clients now use three or more services.

Key Performance Indicators

45%

Growth in clients using three or more services

See more on page 22.

Strategic Priority

Extending our services

Progress in 2017

- Added new services to the Group, including Engineering, co-development, Game Porting and Live Support Services, as well as a dedicated content management platform.
- Our newer Art Creation, Customer Support services and Engineering service lines accounted for a total 25% of Group revenues.

Key Performance Indicators

€59.8m

Revenues from non-language-based services

See more on page 12.

Strategic Priority

Expanding our geographical reach

Progress in 2017

- Bolstered our Eastern European presence adding sites in Krakow, St. Petersburg and Volgograd.
- Also added locations in California, Washington and North Carolina.
- Launch of an ambitious programme of investments in many of our studios adding capacity in locations including Montreal, Zhengzhou, Manila, Dublin, Madrid and Tokyo with new recording studios to follow in London and Paris.
- Continued to build on our strong presence across four continents.

Key Performance Indicators

27 to 42

Grew from 27 to 42 studios globally during 2017

See more on page 03.

Strategic Priority

Selective acquisitions

Progress in 2017

- Acquisition of VMC, our largest to date, added scale to our Functional Testing, Localisation Testing and Customer Support service lines and specialist expertise in delivering services in-situ at clients' facilities ("Embedded Technical Services").
- New Engineering service line created through the acquisitions of Gamesim, d3t, and Sperasoft which also brought a strength in co-development.
- Extended Art offering through the acquisitions of SPOV, RedHot and Sperasoft.
- Strengthened Audio and Localisation services through the acquisitions of La Marque Rose, Dune Sound and asrec, whilst XLOC added a specialist localisation content management system.
- Expanded range of services, locations and ways of integrating with our clients through co-development and Embedded Technical Services supports our aim to become a key strategic partner to our clients.

Key Performance Indicators

11

We made 11 acquisitions in 2017

See more on page 19.

Strategic Priority

Driving operational efficiency and synergies

Progress in 2017

- Following the acquisition of Localizadora Latam (LOLA), we now plan to integrate Kite Team's Mexican operations with that of LOLA in Mexico City to create the market leading provider of services for Latin American Spanish localised video games.
- Successfully amalgamated the operations of Kite Team, Synthesis Iberia and Sonox into Kite Team's existing premises in Madrid.
- Acquisitions of the Paris-based audio and localisation businesses of La Marque Rose, Around the Word, Dune Sound and AsRec being integrated with existing Synthesis operations there.
- Continued scaling of our Tokyo operations, moving into a new office to facilitate the introduction of a new Functional Testing facility.

Key Performance Indicators

18.8%

Operating expenses reduced to 18.8% of revenue (2016: 20.5%)

See more on page 20.

Our Business Model

Drawing on our key strengths

Global presence
Provides access to the best talent and enables us to deliver projects across studios in multiple time zones, allowing seamless 24-hour turnarounds whilst remaining close to the client.

Flexible resource model
Allows us to scale up or down to meet demand, mirroring the seasonality of games production.

Knowledge and expertise
Deep games-specific knowledge and experience of working on multiple instalments of AAA game franchises.

Reputation for quality
Our commitment to quality, reliability and integrating with our clients' processes promotes long-term customer relationships.

Financial strength
Our strong financial performance and position gives our customers reassurance of resilience in their supply chain and is part of our attraction to businesses we acquire.

Acquisition track record
We have a strong track record in identifying acquisitions with a strong fit with Keywords in terms of culture as well as expertise or geography and integrating them effectively to support their growth.

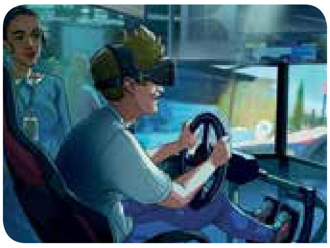
Creating value and growth through operational efficiency

The video games industry represents the pinnacle of interactive digital content. At Keywords, we are using our passion for games, technology and media to create a global services platform for video games and beyond.

By working as their external development partner, we enable leading content creators and publishers to leverage our expertise and capacity across the lifecycle of interactive content. In so doing we enable our clients who are operating in complex and fast-moving environments to remain lean and agile, and to focus on creating and monetising the most engaging experiences.

We are trusted and relied upon by many of the world's leading video game companies to work alongside them during concept, development and live operations by leveraging the breadth and depth of our industry leading service lines every step of the way.

Keywords' presence in each stage of the games development cycle creates multiple opportunities for cross selling and revenue growth:



#1 Pre-production

- **Concept art**
- Level design

#2 Early stage game development

- **Co-development**
- **Programming**
- **Art production**
- **Cinematics/visual effects**
- **Audio production**
- **Original language voice production**
- **Engineering**
- **Development quality assurance**
- Story writing
- Motion capture
- Game demo trailers
- Music scoring
- Sound design

#3 Later stage game development

- **Functional testing**
- **Text localisation**
- **Audio localisation**
- **Localisation testing**
- **Player research**
- **Game porting**

Services offered by Keywords
Services not currently offered by Keywords

#4
Launch

- **Certification testing**
- Official game trailers
- Marketing and PR services

#5
Ongoing live operations support

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

#6
New content for games

- **Game extensions**
- **Level expansions**
- **Art**
- **Audio**
- **Testing**
- **Localisation**
- Issue patches
- Marketing

Creating value for our stakeholders

Investors

Consistent track record of delivering earnings and dividend growth.

Opportunity to invest in the exciting video games market, without the risk of exposure to the successes or failures of individual game titles.

*Increase in adjusted EPS since 2013

441%

Customers

Our involvement across the video games cycle creates a role as a "one-stop-shop" for our customers, allowing us to meet their needs and requirements.

Employees

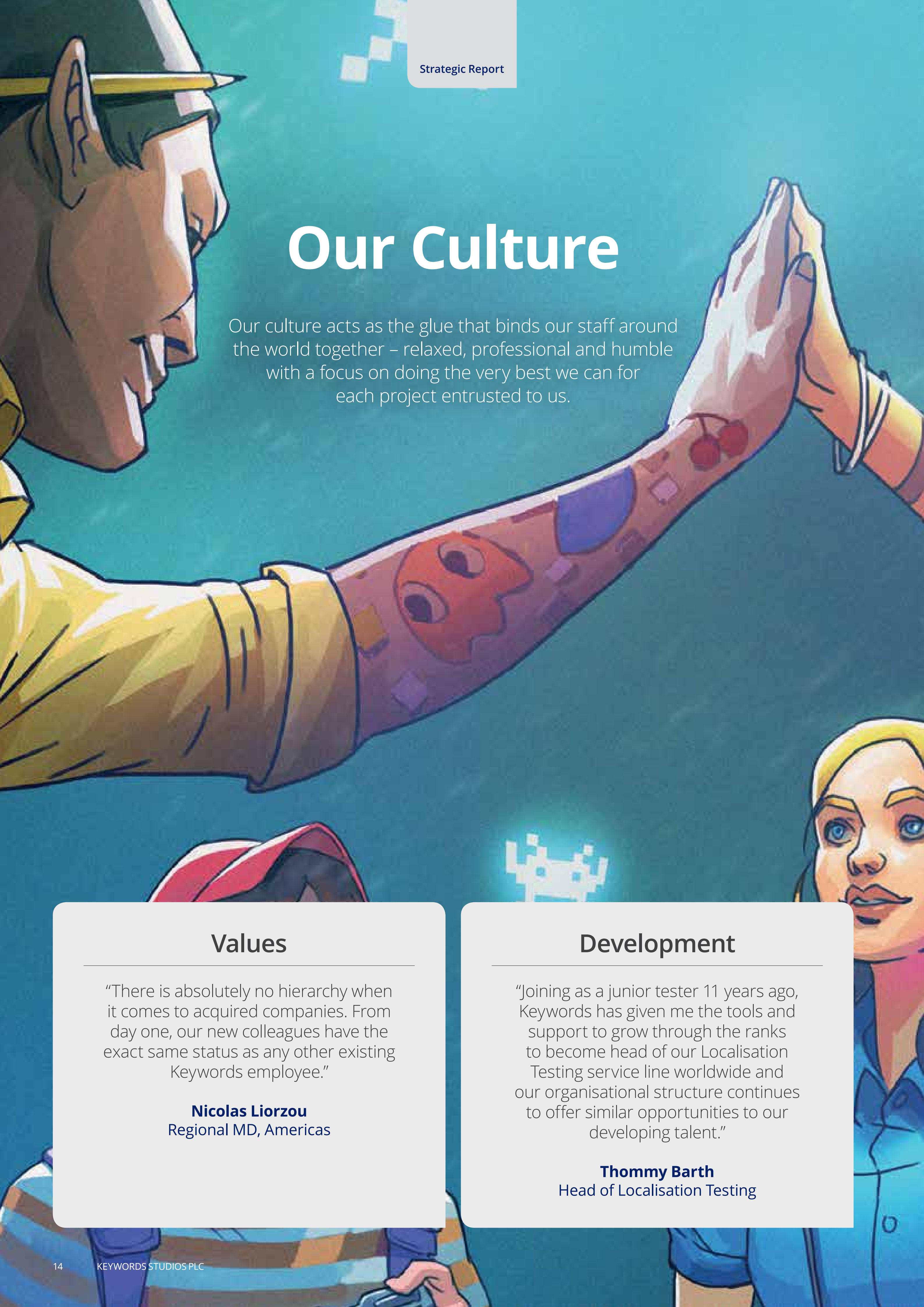
Keywords provides employees with an excellent and sustainable variety of work, good career advancement opportunities and, increasingly, opportunities to work in many different locations.

Our customers can access a world class talent base without incurring any of the usual variable costs.

Average number of employees

3,150

* Before acquisition and integration expenses, share option charges, amortisation of intangibles, and foreign currency exchange.



Our Culture

Our culture acts as the glue that binds our staff around the world together – relaxed, professional and humble with a focus on doing the very best we can for each project entrusted to us.

Values

"There is absolutely no hierarchy when it comes to acquired companies. From day one, our new colleagues have the exact same status as any other existing Keywords employee."

Nicolas Liorzou
Regional MD, Americas

Development

"Joining as a junior tester 11 years ago, Keywords has given me the tools and support to grow through the ranks to become head of our Localisation Testing service line worldwide and our organisational structure continues to offer similar opportunities to our developing talent."

Thommy Barth
Head of Localisation Testing

Joining the Keywords Family

Group culture is at the centre of everything we do and ensuring the companies we acquire are aligned with the Keywords culture is a crucial step in our integration process. We have developed a set of guidelines, which we call "The Keywords Rule of Nine", which sets out our culture.

- We communicate openly
- We focus on projects
- We act as an extension of our clients
- We empower our people
- We are passionate about games
- We love our clients
- We have a "can do" attitude
- We recognise the importance of flexibility
- We learn at every opportunity

With each new acquisition, we deploy our Integration Memorandum, a unified communication package delivered by an existing member of the Keywords executive team, in order to ensure a smooth transition.

Teamwork

"We used to be fierce competitors of Keywords so, since acquisition, our shared vision and drive has contributed hugely in working together to pursuing the Group's strategy to become the "go-to" provider of technical services to the video games market."

Max Reynaud
Co-founder, Synthesis

Environment

"Standardised induction across the Group in every studio helps ingrain our culture in new acquisitions from the outset, and integration of the support services such as HR and Finance enables our team members to go out and do what they do best, be it Localisation, Audio or Engineering."

Gerry Cleary
Group HR Director

Chief Executive's Review

An excellent performance and a strengthened services platform

"2017 saw Keywords successfully execute 11 acquisitions as we continue to selectively consolidate our market."

Andrew Day
Group Chief Executive Officer

The Group has delivered another strong performance, with good like-for-like growth from the existing businesses combined with successfully securing and integrating acquisitions that have significantly enhanced our services platform in line with our strategy.

Delivering on our strategy

We continue to execute well in pursuit of our strategy to build the world's leading creative and technical services platform focused on the most complex of interactive content – video games.

We operate in a service provision industry which remains highly fragmented despite the scale and global nature of the major video games publishers and developers, and the trend towards those clients outsourcing a greater proportion of their games development and in-game support to manage the demands for increasingly sophisticated content whilst limiting their fixed costs.

The key pillars of our strategy are, therefore, to grow organically and by acquisition to extend the Group's service capacity, capabilities and geographical reach – where we seek to gain access to markets for the best talent or to be close to our clients. By generating synergies across our expanding multi-service global platform, we are increasingly becoming a key strategic partner to our customers.

2017 acquisitions

2017 saw Keywords successfully execute 11 acquisitions as we continue to selectively consolidate our market. These businesses are spread across multiple geographies and added to all seven of our service lines demonstrating the strength of our leadership team which comprises both regional and service line management. All of the acquisitions in 2017 have been or are being integrated.

In particular, the addition of Engineering services as our seventh service line during 2017 has filled an important gap in our palette of services and we look forward to continuing to build this business in 2018 and beyond. This was initially formed by our acquisition of GameSim in May and expanded through our acquisitions of d3t in October and Sperasoft in December, providing the Group with game development, game porting and live operations support talent totalling some 400 people.

We have also successfully extended our geographic reach adding operations in Eastern Europe for the first time through our acquisition of Sperasoft, giving us access to talent in a market known for strong technical skills, particularly in software development.

Sperasoft brought with it scale and expertise in Engineering and Art services, with a particular strength in co-development in which significant parts of or even full games are developed on behalf of game developers or publishers. This further enhances our positioning as a strategic partner to game developers and publishers who are increasingly relying upon co-development arrangements to provide them with broader development support for their games that are increasingly bigger and higher definition, whilst we continue to ensure we are not directly exposed to the commercial performance of individual titles. We expect to be able to grow this way of working with our clients, combining Sperasoft's strength in co-development with our broader service range for a more integrated service delivery.

Sperasoft's 370 talented engineers, game designers, artists and project managers are based in St. Petersburg, Krakow and Volgograd and we are now looking at seeding some of our other services into these locations.

VMC, acquired in October for $66.4m, brought the Group leadership and scale in functional testing and significantly increased our presence in player support services. It also brought to the Group specialist expertise in managing "Embedded Technical Services", through which VMC provides Testing, Customer Support and other services in-situ at clients' facilities. VMC was a carve out from the publicly quoted Volt Information Sciences Inc. Its operations are in the US and Canada and its integration, which is nearly complete, includes consolidation of facilities and of management teams and the migration of the business to Keywords' core operating IT platforms. The integration is being led by Nicolas Liorzou, our Regional Managing Director for the Americas who has led the successful integration of two previous acquisitions, Babel Media (acquired in 2014) and Enzyme (acquired in 2016).

Our simultaneous acquisitions of the Paris-based audio and localisation businesses of La Marque Rose, Around the Word, Dune Sound and asrec in August are being integrated with our existing audio and localisation business there, which we acquired with the acquisition of Synthesis in 2016. Led by Michel Golgevit, CEO of Around the Word, these businesses are planning to move to custom-built, state-of-the-art audio recording studios in 2018. Also in the Audio service line, LOLA in Mexico City was acquired just before the end of the year and they are working with the management of Kite Team in Mexico, which joined the Group in 2015, to integrate the two businesses.

In our Art Service line, which saw a change of leadership at the end of the year with the retirement of Fred Stockton and the appointment of Ashley Liu as Service Line Director, the acquisitions of SPOV in London and Red Hot with its facilities in Shanghai, Dalian, Zhengzhou, Chengdu and Yogyakarta have performed to expectations and are integrating well.

XLoc, a technology company with a proprietary content management solution that helps clients manage and automate the complex process of localising games content across multiple languages and platforms, was acquired in May. There have already been some successes in cross selling this platform alongside our localisation services which we believe will further embed us in to the localisation processes of games developers.

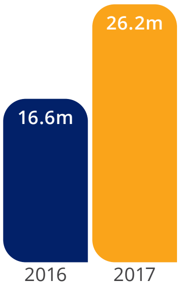
Organic growth and investment

We have continued to drive organic growth across the business, having achieved a 15.1% increase in like-for-like revenue in 2017 (which is calculated on the basis of revenues being included for 2017 acquisitions from the date of acquisition and for the equivalent period in the prior year in order to provide a clearer measure of the organic growth of all of the businesses now within the Group). Audio had a particularly tough comparator with Synthesis having produced an exceptional performance in 2016 while all other service lines posted strong like-for-like growth. Functional Testing and Customer Support produced particularly strong growth. We have seen some beneficial impact from the burgeoning eSports market as we respond to demands for translation services, marketing materials and customer support related to the events being staged and we are seeing demand for our services from outside the games industry as other industries seek out the skills and technology to make their content interactive.

Chief Executive's Review continued

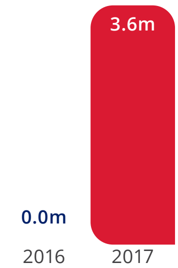
Our organic growth was driven in part by further strong progress with extending our client relationships, as evidenced by a 45% increase in clients using three or more services from 64 in 2016 to 93 in 2017.

As announced at the half year, we also launched an ambitious programme of investments in many of our studios to add capacity in locations including Montreal, Zhengzhou, Manila, Dublin, Madrid and Tokyo, with new recording studios planned for London and Paris in 2018.



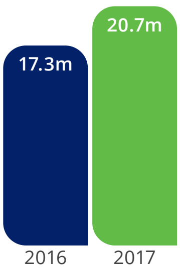
Art Creation

€26.2m



Engineering

€3.6m



Audio

€20.7m

A combination of our organic and acquisitive investment meant we finished the year with 42 operating locations in 20 countries compared to 27 locations in 17 countries in 2016.

The acquisitions of VMC and Sperasoft will result in the Group's share of revenue denominated in US Dollars growing from 46% in 2017. Recent weakness in the US Dollars compared to a number of other currencies in which the Group trades, such as the Canadian Dollar, Euro, Yen, Renminbi and Rupee, is being monitored and some US Dollars denominated pricing may be adjusted accordingly.

Service line review

Art Creation
(17% of Group revenues in the year)

Art Creation services revenue grew 58% to €26.2m (2016: €16.6m). On a like-for-like basis, Art grew by 14% year-on-year, reflecting a year in which Lakshya Digital consolidated the very strong growth of 2015 and 2016 and the remaining studios made good progress including Red Hot which we acquired in May. Including Sperasoft, we concluded the year with over 1,000 artists on our payroll of which the majority are in India and China. Through Liquid Development and Volta we manage further pools of freelance artists numbering about 200 in total. This talent base makes Keywords one of the largest art services businesses in the highly fragmented global video games art services market.

Our Art studios are increasingly working with each other to leverage their respective capacities, to deliver top quality work to their global client base. Likewise, with our recent investments in Engineering services, these two service lines are working together in a co-development model to produce complete game development services for game developers and publishers.

Under the leadership of Ashley Liu (previously CEO of Mindwalk), the objective for our Art Creation services line is to continue to grow capacity to meet demand (including internal demand from our co-development activities), whilst maintaining our reputation for quality and reliability of delivery to our customers' timescales. In addition, we aim to extend our capabilities in areas such as visual special effects, user interface design, cinematics and motion graphics, which we have started to do with the acquisition of Spov early in 2017.

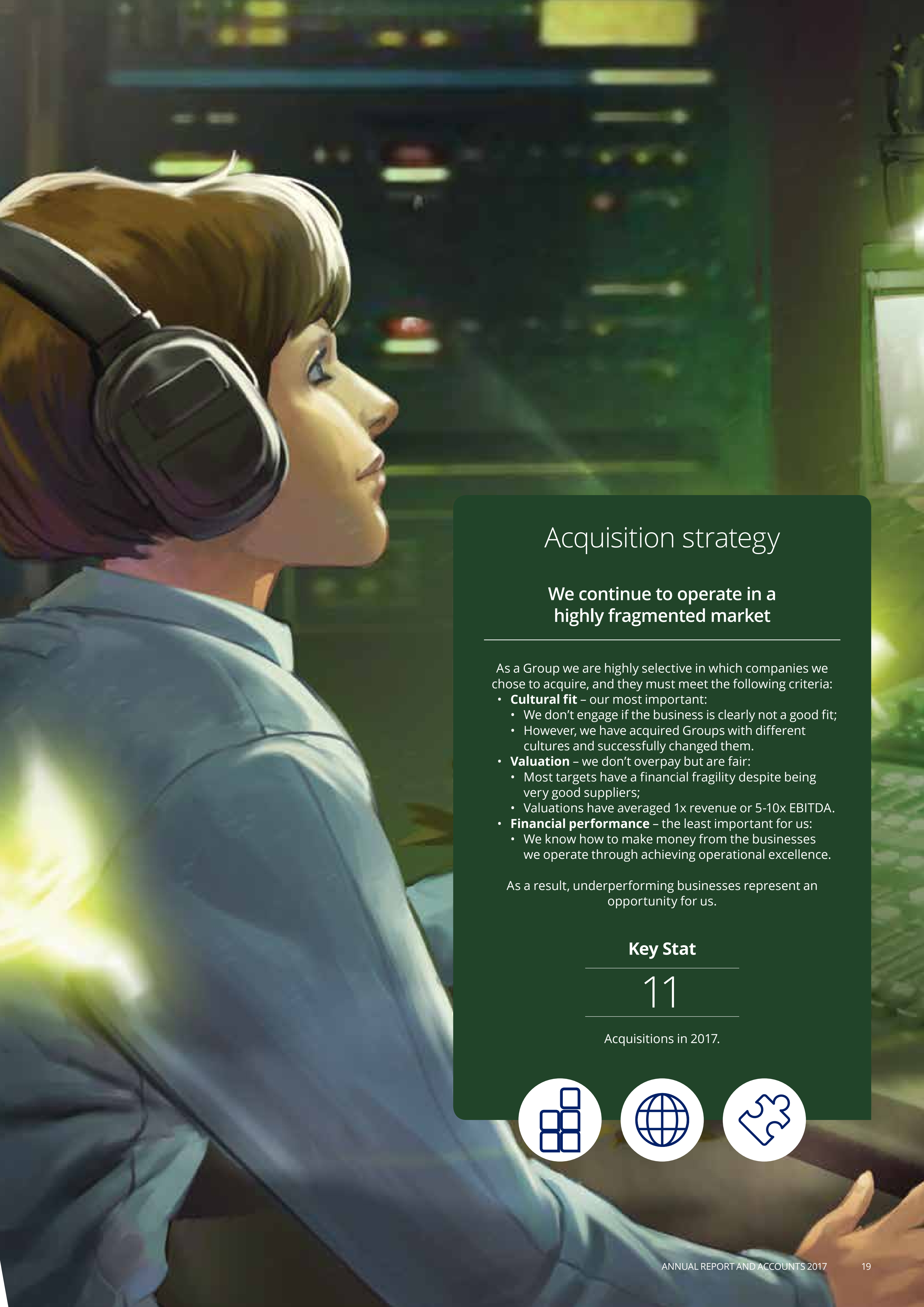
Engineering
(2% of Group revenue for the year)

With Sperasoft only being included since December, d3t from October and GameSim from May, our Engineering service line is being built through acquisition in much the same as we have built our Art Creation service line which started in October 2014 with the acquisition of Lakshya Digital. We have had some very early successes with cross selling our engineering capabilities into clients who use other Keywords services and we look forward to continuing to build our Engineering service line in 2018 and beyond.

Audio
(14% of Group revenue for the year)

Our Audio service line increased revenues by 20% to €20.7m (2016: €17.3m) including contributions from La Marque Rose, Around the Word, Dune Sound and asrec, all of which were acquired in August and LOLA which was acquired in December. On a like-for-like basis, revenues in our Audio service line declined by approximately 10%, in part reflecting the exceptionally strong performance of Synthesis in the prior year. Also, the video games voice actors' strike which effected the video games voice recording market in Los Angeles was resolved in September 2017 and we look forward to more buoyant conditions there in 2018.

We opened an audio studio in Tokyo, strengthened our management of the combined Kite Team, Synthesis and Sonox operations in Madrid and also that of our Los Angeles studio. In 2018, we plan to invest in state of the art audio recording facilities in Paris and London.



Acquisition strategy

We continue to operate in a highly fragmented market

As a Group we are highly selective in which companies we chose to acquire, and they must meet the following criteria:

- **Cultural fit** – our most important:
  - We don't engage if the business is clearly not a good fit;
  - However, we have acquired Groups with different cultures and successfully changed them.
- **Valuation** – we don't overpay but are fair:
  - Most targets have a financial fragility despite being very good suppliers;
  - Valuations have averaged 1x revenue or 5-10x EBITDA.
- **Financial performance** – the least important for us:
  - We know how to make money from the businesses we operate through achieving operational excellence.

As a result, underperforming businesses represent an opportunity for us.

Key Stat

11

Acquisitions in 2017.

Chief Executive's Review continued

Functional Testing
(20% of Group revenue for the year)
Our Functional Testing services grew by 248% to €30.0m (2016: €8.6m), including a ten-week contribution from VMC which was acquired in October 2017. The service line also grew by an impressive 52% on a like-for-like basis.

Some 50% of VMC's €47m annual revenues fall into the Functional Testing service line and the service line management team have been instrumental in integrating the functional testing businesses in Seattle and Montreal, slimming down the combined management team, standardising tools and processes and making efficient use of office space. As a result, we anticipate improved margins from the VMC business as signalled at the time of acquisition.

The organic growth of Functional Testing has driven demand for increased capacity in Montreal and New Delhi and we have invested during the year in additional space in both locations and are evaluating options for expansion in other locations.

During the year we also invested in Player Research, the play testing business we acquired in October 2016, with the opening of a purpose-built play test laboratory in our Montreal building.

Localisation
(28% of Group revenue in the year)
Our Localisation activities, including contributions from XLoc acquired in May, La Marque Rose, Around the Word, Dune Sound, asrec and VMC which were acquired in August, increased revenues by 30%, to €42.0m (2016: €32.4m), and continued its excellent record of growth with a like-for-like increase of 20%.

The business produced around 250 million translated words during the year as our Localisation service line continued to benefit from the trend towards "games as a service" which necessitates fresh content being added to the game on a frequent basis to expand the game worlds and keep players engaged. Another driver of growth has been eSports where our localisation expertise has been called upon for the production of marketing

Integration and driving synergies

Our approach to integration, driving synergies and margins is tailored to each type of business

Type one – Standalone studios:
- With new territories and new service lines, we focus on business processes to optimise margins over time;
- Subsequently, the access to a larger client base improves the business' pipeline and improves utilisation rates.

Type two – Studios with strong overlap:
This is used when a business is acquired near an existing Keywords hub, or where no new services are added:
- We focus both on gross margins and on SG&A and operational expenditure costs, with immediate impacts;
- For example, in the Montreal hub, Babel went from making losses to achieving 20%+ EBITDA in the second year.

As a result of this, acquired companies almost always grow revenues strongly under Keywords ownership. We encourage them, to grow, to be bold, and to invest, and they benefit from being part of well-respected Group with known behaviour; we are easy to do business with, flexible, scalable, put the interests of the project first, financially solid and transparent.

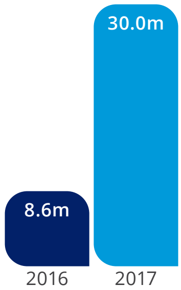
Key Stat

18.8%

Operating expenses reduced from 20.5% of revenue in 2016.

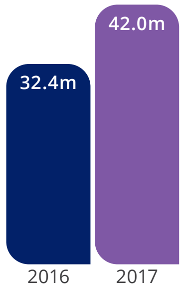
content, customer support materials and "live translation" of event content. We are the leading localisation provider for video games and enjoy a strong position in the fast-growing mobile games segment of the market, where content additions to the many leading games that we support result in continuous localisation work for the Group in as many as 30 languages.

During the year we completed the internal rollout of our proprietary localisation project management system, BPS, and we continue to invest in enhancements to the software to improve the efficiency of our localisation teams.



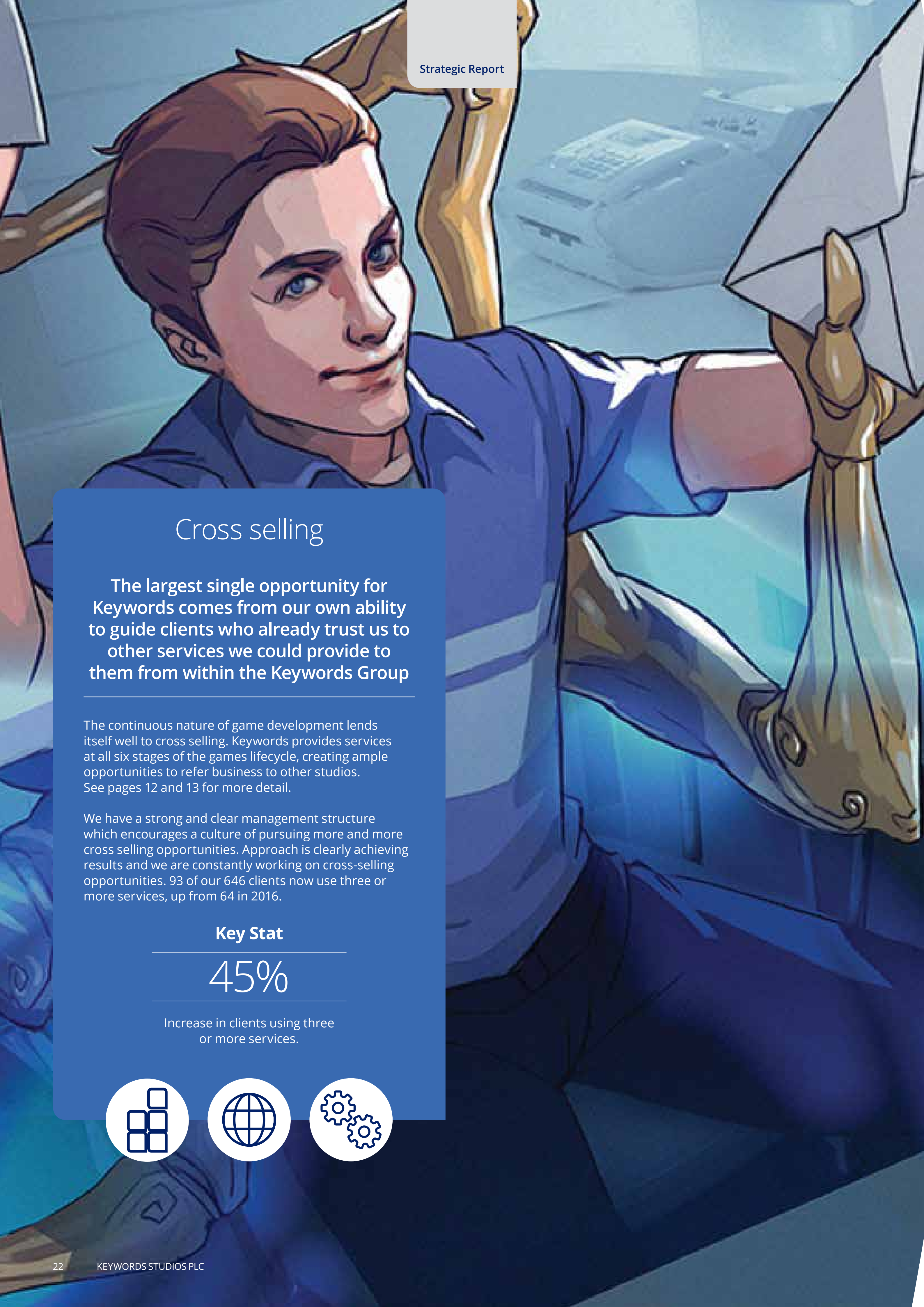
Functional Testing

€30.0m



Localisation

€42.0m



Cross selling

The largest single opportunity for Keywords comes from our own ability to guide clients who already trust us to other services we could provide to them from within the Keywords Group

The continuous nature of game development lends itself well to cross selling. Keywords provides services at all six stages of the games lifecycle, creating ample opportunities to refer business to other studios. See pages 12 and 13 for more detail.

We have a strong and clear management structure which encourages a culture of pursuing more and more cross selling opportunities. Approach is clearly achieving results and we are constantly working on cross-selling opportunities. 93 of our 646 clients now use three or more services, up from 64 in 2016.

Key Stat

45%

Increase in clients using three or more services.

Localisation Testing
(13% of Group revenue in the year)
Our Localisation Testing operations grew by 22% on an absolute basis to €19.9m (2016: €16.2m) helped by the addition of revenues from VMC and full year contributions from Synthesis and Enzyme which were acquired in April 2016 and November 2016 respectively. On a like-for-like-basis, growth was a more modest 3%. The integration of VMC's Localisation Testing business is progressing well.

With secure localisation testing studios in Montreal, Dublin, Milan, Singapore and Tokyo we believe this service line is the largest provider of localisation testing in the video games market. We look forward to continuing to serve our clients around the world while optimising our production efficiency, assisted by our increased scale, and developing our talent pool of games passionate professionals of over 30 different nationalities.

Customer Support
(6% of Group revenue for the year)
Revenues for this service line benefitted from a significant contribution from VMC and grew by 64% to €9.2m (2016: €5.6m). On a like-for-like basis, the business grew by 16% thanks to new client wins and successful cross selling efforts.

Our Customer Support business which includes live operations support functions like community management, fraud prevention, bot hunting and VIP services, continues to perform strongly and is achieving strong organic growth.

Among the highlights for this business line has been the growth of the Manila-based customer support operation spun out from our client, Ankama in March 2016 from the then 23 staff to over 350 today. We've also been pleased with the success of our customer support teams based in our studio in Tokyo, where they service both Japanese and non-Japanese clients. During the year we opened a multilingual customer support studio in Madrid alongside our audio and localisation businesses there and in 2018 we are considering establishing a support centre in Eastern Europe as we leverage our presence there following the Sperasoft acquisition.

Whilst our Customer Support service line remains a relatively small part of the Group, we believe our specialist teams offer an attractive alternative to traditional large customer support call centres. Our customers are highly focussed on keeping gamers in their games for longer. We believe our model of using teams of passionate gamers with deep knowledge of the games they are supporting provides improved user satisfaction and will enable us to increase our share of this growing market over time.

People

The Group employed an average 3,167 people in 2017 (2016: 1,818). Well balanced across our three regions, we employed 1,142 in The Americas, 609 in Europe and 1,416 in Asia. As the growing games industry continues to produce more content for industries as diverse as retail, urban planning, advertising, education, architecture and automotive which adopt the use of game engines to make their content more interactive and engaging, so we see the demand for human capital increase. Our broad and deep pool of highly experienced and games passionate co-workers provide an outsourced resource for our clients to tap into as and when they need in order to get their content to market in a flexible and cost-efficient manner.

Our culture acts as the glue that binds our staff around the world together. Relaxed, professional and humble with a focus on doing the very best we can for each project entrusted to us, this culture creates an environment in which games passionate individuals can work together with likeminded colleagues while enjoying the opportunity to work on most of the world's leading games ahead of their release. Working on around 150 games at any time in the year and more than 500 in total throughout the year, Keywords provides an excellent and sustainable variety of work, good career advancement and opportunities to work in many different locations. We are proud to serve as a stepping stone for those that go on to make their careers in games production and publishing and we are fortunate to have an excellent alumnus of Keywordians employed by many of our client companies.

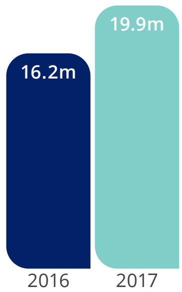
Our acquisition programme also brings fresh talent to the Group at all levels and we continue to be successful at integrating our businesses, including providing opportunities for staff to move between our various studios. This year we have added game programmers, game designers and engineers to our ever-growing Keywords family. This is reflected in our senior leadership team, which comprises four people from the original Keywords business, seven people from acquired entities as well as four externally hired employees.

Current market trends

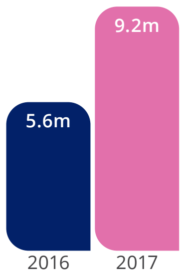
Following the refreshes of the PlayStation® and Xbox consoles with the launch of the PS4 Pro and the Xbox One S in 2016, the success of the Nintendo Switch in 2017 was a highlight of the console market in the period benefitting Keywords as we provide services for games made for this platform and assist developers in repurposing existing games for the Switch.

The astounding success achieved by battle arena games led by Fortnite and Player Unknown Battleground seem set to continue and we are fortunate to be providing services for those games too. The mobile games sector continues to grow faster than the other platform types, with much of this growth originating in Asia where we continue to expand and build upon our relationships with the major games publishers in China, Japan and Korea.

The evolution of the console gaming sector from packaged product, through digitally delivered content and into the monetisation models of free to play and micro transactions that were previously the preserve of PC and mobile gaming is interesting to see and brings with it a requirement on the part of our game developer and clients to continually feed their games with new content, the challenges of which we have mastered over time with our clients in PC, social and mobile gaming.



Localisation Testing
€19.9m



Customer Support
€9.2m

Chief Executive's Review continued

Augmented reality has received a lot of attention but, as with virtual reality in 2016, we feel this technology is still early stage and the mass adoption of both content formats is probably a few years off. However, virtual and augmented reality games and applications continue to generate additional demand for our services.

The eSports market is developing strongly and, while we do benefit to some extent from this through the provision of our existing services to support the games being played and through supporting the marketing and communications management of the events themselves, we continue to seek out ways in which we could participate in this segment in a more meaningful manner.

Outlook

As we did in 2016, in 2017 we had a strong finish to the year, particularly in our audio and testing businesses. The typically quieter first quarter has seen activity levels in line with our expectations and the positive momentum in the business gives us confidence in the outcome for the full year.

Early wins of co-development projects in 2018 are encouraging signs of the demand from game developers and publishers for integrated delivery of Engineering and Art in the form of game remastering and game development. We anticipate that demand for co-development services will continue to increase as the size and complexity of games makes it harder for any one development studio to undertake all the development themselves. We look forward to being able to package more of our services into co-development style engagements,

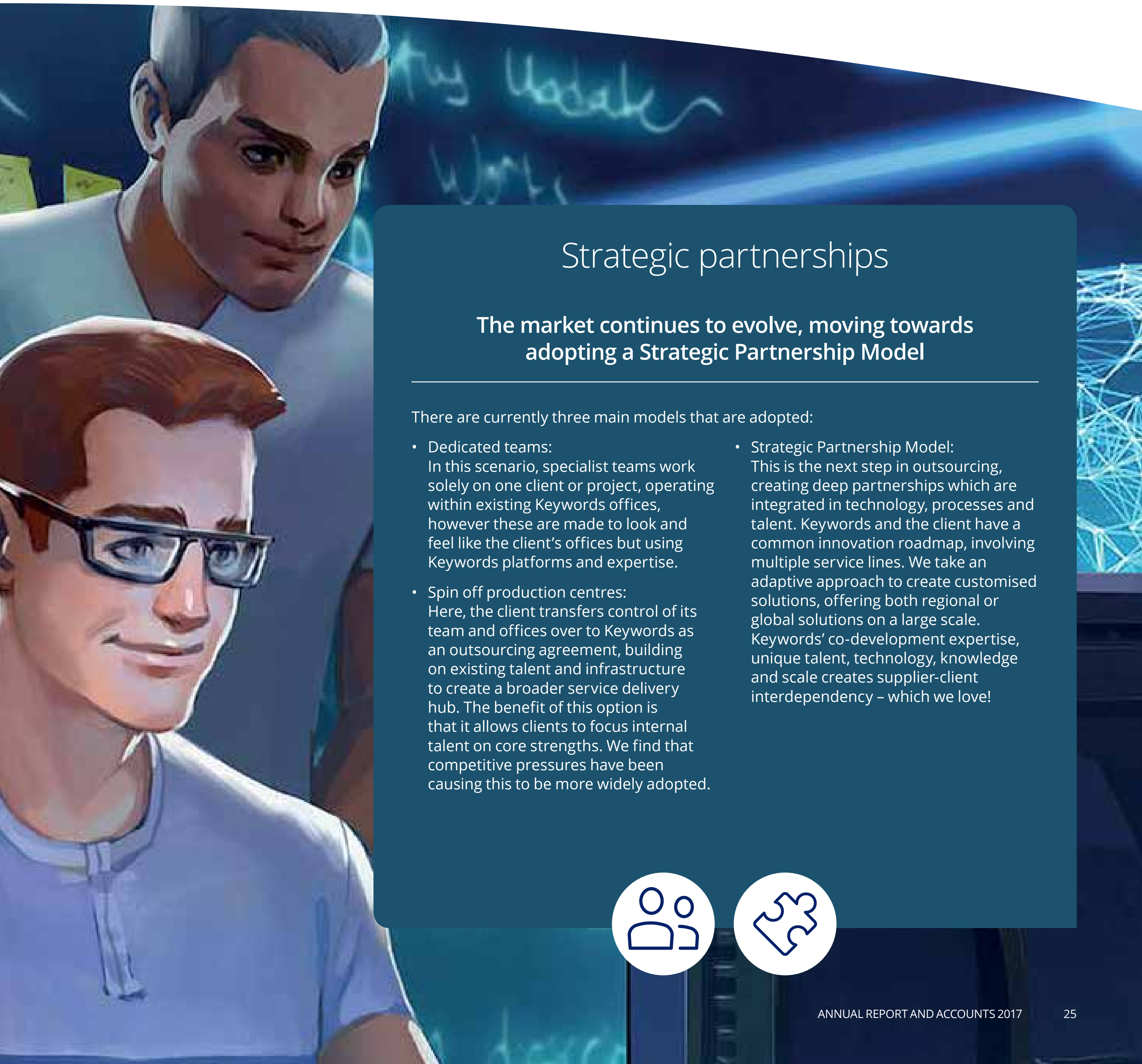
including audio, localisation and testing, to add further value to our clients.

As a more diversified, better balanced business with an expanded range of services and locations to offer our clients, and the support of a global sales and marketing function, we see many opportunities to extend our existing relationships and become a strategic partner to major games companies, both through providing more integrated services and through the provision of dedicated outsourced or embedded services.

Each service line is pursuing a growth strategy formulated for its own market opportunity, with some including a larger acquisition component than others to add scale or capabilities that we do not currently have within the Group, with the aim of a good balance between all seven service lines over time.

We have entered 2018 with a considerably enhanced platform and a healthy acquisition pipeline and we fully expect to grow our business organically as well as through selectively acquiring complementary businesses as we continue to consolidate the highly fragmented market for video games services in 2018.

Andrew Day
Group Chief Executive Officer
9 April 2018



Strategic partnerships

The market continues to evolve, moving towards adopting a Strategic Partnership Model

There are currently three main models that are adopted:

- Dedicated teams:
  In this scenario, specialist teams work solely on one client or project, operating within existing Keywords offices, however these are made to look and feel like the client's offices but using Keywords platforms and expertise.
- Spin off production centres:
  Here, the client transfers control of its team and offices over to Keywords as an outsourcing agreement, building on existing talent and infrastructure to create a broader service delivery hub. The benefit of this option is that it allows clients to focus internal talent on core strengths. We find that competitive pressures have been causing this to be more widely adopted.
- Strategic Partnership Model:
  This is the next step in outsourcing, creating deep partnerships which are integrated in technology, processes and talent. Keywords and the client have a common innovation roadmap, involving multiple service lines. We take an adaptive approach to create customised solutions, offering both regional or global solutions on a large scale. Keywords' co-development expertise, unique talent, technology, knowledge and scale creates supplier-client interdependency – which we love!

Financial and Operating Review

Extended service offering, market penetration and geographic reach

“ 2017 has seen the Group deliver another year of significant increases in revenue, profit and underlying cash generation. ”

David Broderick
Chief Financial Officer

Group performance

2017 has seen the Group deliver another year of significant increases in revenue, profit and underlying cash generation driven by good organic growth, substantially complemented by acquisitions which have further extended its service offering, market penetration and geographic reach.

Revenue

Revenue for 2017 was up 57% at €151.4m (2016: €96.6m). This growth was generated across all seven service lines of the business through a combination both organic and acquisitive growth. The like-for-like revenue growth rate, which provides a 2016 comparative as if all of the 2017 and 2016 acquisitions had been owned for the same period in 2016 as they have been in 2017, was 15% for the year which was down from 24% in 2016 due to the tough comparative as a result of the exceptional 2016 performance of Synthesis while all other service lines grew, with Functional Testing, Customer Support and Localisation being particularly strong. Excluding Synthesis from both periods the like-for-like growth was 18.1% which was in line with our expectations and a strong growth rate from a larger base.

Gross margin

Gross profit for the year was €55.1m (2016: €36.7m). As expected the gross margin percentage declined slightly to 36.4% (2016: 38.0%) as the Group absorbed the lower margin VMC business with its strengths in Embedded Technical Services where the services are hosted by the client with correspondingly lower operating costs.

Adjusted 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 2017, Adjusted EBITDA increased 57% to €26.3m compared with €16.7m for 2016. As a percentage of revenue, Adjusted EBITDA has been maintained at 17.4% compared to 17.3% for 2016.

Operating expenses, excluding depreciation, increased by €8.6m to €28.4m (2016: €19.8m) mainly as a result of the new acquisitions made during the year. The continued additional investment in strengthening Keywords' management to successfully manage the growth of the Group also contributed. However, the continued drive on achieving synergies across the Group helped these costs decrease from 20.5% to 18.8% of revenue, with teams increasingly combining the Group's services and resources effectively to meet clients' needs.

Net finance costs

During 2017, there was a net finance cost of €4.4m compared to a cost of €2.0m in 2016 primarily due to the impact of foreign exchange losses. Foreign exchange losses of €3.6m (2016: loss of €1.7m) were in large part due to the effect of translating net current assets held in foreign currencies. The increase in interest expense to €0.6m (2016: €0.2m) is largely due to a secured credit facility with Barclays of up to €35m over a five-year period of which €18.25m was drawn down at the year end.

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 adds back one-time expenses, such as acquisition and integration expenses, share option charges, foreign currency exchange gains or losses and amortisation of intangibles to the statutory profit before tax. Adjusted profit before tax for 2017 increased by 55% to €23.0m compared with €14.9m in 2016.

Revenue mix

Revenues increased across all lines of business in 2017, resulting in our seven service lines accounting for the following proportion of Group sales in the year:

	Year ended 31 December 2017 %	Year ended 31 December 2016 %	Pro forma* for the year ended 31 December 2017 %	Pro forma* for the year ended 31 December 2017 €'m
Functional Testing	**19.8**	8.9	23.3	52.2
Localisation Testing	**13.1**	16.8	10.0	22.5
Localisation	**27.7**	33.5	19.5	43.9
Audio	**13.6**	17.9	11.7	26.3
Customer Support	**6.1**	5.8	11.7	26.3
Art Creation	**17.3**	17.1	14.1	31.6
Engineering	**2.4**	–	9.7	21.7
Total	**100**	100	100	224.5

* Pro forma includes the annualised sales of all acquisitions made in 2017 in order to give a better overview of the balance of the business at the start of 2018.

Financial and Operating Review continued

Adjusted profit before tax and Adjusted EBITDA for year ended 31 December 2017

	Year ended 2017 €'000s	Year ended 2016 €'000s
Statutory profit before tax	**11,994**	9,435
Add back costs excluded from adjusted profit before tax*	**11,049**	5,368
Add back loss attributable to non-controlling interest	**–**	61
Adjusted profit before tax	**23,043**	14,864
Add back depreciation and Interest	**3,282**	1,861
Adjusted earnings before interest, tax, depreciation and amortisation	**26,325**	16,725

* Before acquisition and integration expenses of €3.0m (2016: €1.3m), share option charges of €1.4m (2016: €0.7m), amortisation of intangibles of €3.0m (2016: €1.6m) and foreign currency exchange loss of €3.6m (2016: loss of €1.7m).

Taxation

The Group's effective tax rate has decreased again in 2017. The reduction in the federal income tax rate for businesses in the US will further help the Group manage its effective tax rate not withstanding some effective tax planning we were able to achieve through the acquisition of VMC. We continue to make steady progress in making better use of our Ireland-based operational headquarters in contracting and treasury management such that we expect our effective tax rate to continue to reduce despite our exposure to higher tax jurisdictions in most of the territories we operate in. The Group's effective tax rate, based on the adjusted measure of profit before taxation in the period (as set out in the financial overview above), was 20.5% (2016: 21.7%).

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 52% to 31.18c compared with 20.59c for 2016. Basic earnings per share based on the statutory profit after tax was 12.37c (2016: 11.22c).

Cash flow and debt

The Group generated operating cash flow of €13.6m for the year, down from €15.0m in 2016. A better measure of underlying cash flow is adjusted operating cash generation, which was €21.9m in 2017, up from €14.8m in the prior year. This figure is cash flow from operations plus acquisition related expenses of €3m (2016: €1.3m), plus exceptional working capital costs related to the VMC acquisition of €3.0m (2016: €nil), plus €2.3m in VMC receipts held by a third party on behalf of the Group and passed to the Group post year-end.

During the year the Group also received MMTCs in Quebec of €3.4m (2016: €2.8m). Previous delays in receiving the multimedia tax credits were not encountered in 2017 and the total multimedia tax credit accrual amounted to €10m as at 31 December 2017 (2016: €3m). The VMC acquisition accounted for €6.6m of the closing accrual. In the comparative year, multimedia tax credits ("MMTC") of €1.6m were received in respect of claims prior to 2015.

The Group made eleven acquisitions to strengthen the business during the year with a net cash outflow on consideration payments of €87m, and an additional €3.0m in acquisition and integration expenses.

Investment in fixed assets amounted to €3.8m (2016: €2.3m) reflecting the cost of increasing the capacity of the Montreal studio, improvements to both the Dublin and Tokyo studios. Additionally, there were ongoing purchases of games testing equipment.

Following the investment of €87.0m net cash consideration for acquisitions in 2017, and a successful £75.0m equity placing in October 2017, cash and cash equivalents increased to €30.4m from €17.0m excluding accrued multimedia tax credits of €10.0m (2016: €3.0m). The loans and borrowings were €19.3m at 31 December 2017 (2016: €8.4m) having utilised €18.3m of its €35m revolving credit facility, giving a net cash position of €11.1m.

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 mainly relate to the effect of translating net current assets held in foreign currencies.

Dividend

The Group 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 0.48p per share in October 2017, the Board has recommended a final dividend of 0.98p per share, which will make the total dividend for the year ending 31 December 2017 1.46p per share, a 10% increase over 2016. Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 22 June 2018 to all shareholders on the register at 1 June 2018 and the shares will trade ex-dividend on 31 May 2018. The cash cost of the final proposed dividend will be an estimated €0.7m, subject to currency fluctuations.

Events after the reporting period

The Group has agreed heads of terms on a revolving credit facility with Barclays Bank plc, HSBC Bank plc and Lloyds Banking Group plc for an initial €75m over a three-year term, with the option to extend the facility to €105m and by a further two years. The new facility replaces the existing €35m facility and is on improved terms. This increased facility is in keeping with the growth of the Group and its financial performance and provides support for the Group's ongoing acquisition strategy.

On 9 April 2018, we announced that the Group acquired Cord Worldwide Limited and Laced Music Limited from the Cutting Edge Group for a total consideration of £4.5m comprised of an initial cash consideration of £3.375m on completion and 73,744 in shares to be issued two years after the acquisition. Cord and Laced generated combined revenue of £6.5m and EBITDA of £675,000 in the year ended 30 June 2017.

On 22 March 2018, Keywords acquired Maximal Studio for an initial cash consideration of €0.3m, with up to €0.2m of deferred consideration due over the following two years, subject to its performance.

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 of the Group's pricing strategies, use of resources and its ability to optimise resource utilisation while allowing for changes in the mix of business and services delivered on client premises, where the Group's gross margin typically reduces but our operating costs are also significantly reduced.

Operating costs
The Board monitors the overheads to ensure the operating costs of the Group are in line with the level of business being generated.

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 expense 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 excludes foreign exchange gains or losses, amortisation, 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, as a key measure of customer satisfaction.

David Broderick
Chief Financial Officer
9 April 2018

Principal Risks and Uncertainties

Managing risks efficiently

Keywords is a fast-growing but relatively small Group operating in a widespread 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 companies at the head and a large tail of small, independent developers.

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, engineering 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:

- General business risks for any international company;
- Industry-related risks; and
- 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.

Internal risks (including links to strategy)

Risk	Description	Movement
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, and as Keywords continues to make larger acquisitions, the risk associated is heightened. Failure to do so will have adverse consequences such as management distraction, disposal and reduced profit. Since IPO, the Company has involved a broader number of senior managers in the acquisition and integration process, building on the considerable experience that exists at Board level thus providing 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. Whilst the introduction of co-development adds to this risk in some respects, it also helps to mitigate it. Adhering to Keywords' strong standards of delivery and efficient communication across service lines is key to managing this risk.	↑

External risks (including links to strategy)

Risk	Description	Movement
Exposure to large clients	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 29% (2016: 28.4%) 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 the continued opportunities for growth in the sector, how it continues to execute on its stated strategy and successfully integrate the businesses it acquires should continue to maintain the confidence of its investors.	⟷

External risks (including links to strategy) (continued)

Risk	Description	Movement
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 and information security	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 Groups' effectiveness. New technologies for automated testing, machine translation and crowdsourcing, 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. The industry requires the highest standards of security within a company offering services such as Keywords. Cyber security breaches may lead to piracy, disruption of clients' marketing plans, 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.	↔
Global political risk and uncertainty	We operate and own assets in a large number of geographic regions and countries, and, as a result, we are exposed to a wide range of political, economic, regulatory, social and tax environments. Policies or laws in the countries in which we do business may change in a manner that may be adverse for us, even those with stable political environments e.g. many governments have sought additional sources of revenue by increasing rates of taxation. However the diversification and spread of activities geographically mitigates the risk of disruption in any one location and the tax strategy adopted is designed for improved efficiency and we eschew aggressive or artificial practices. The Board has assessed the risk of Brexit on Keywords and concluded that for now this constitutes a minor risk for the Group as its UK operations are small relative to the rest of the Group.	↔

Financial risks (including links to strategy)

Risk	Description	Movement
Adequate financial and operational 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. Failure to accurately report or forecast financial results through error or fraud would damage the Group's reputation. Therefore, the Group has invested and continues to invest in its financial reporting functions to facilitate strong reporting and management control as it grows.	↔
Human resources/ talent management	Keywords management structure has been fundamental to the Group's success, enabled by embedding a Group culture that binds the teams together, with a common set of standards. In addition, special emphasis is placed on workplace harmony and the prevention of any forms of discrimination, harassment or malpractice in the workplace recognising that any sense of dissatisfaction can be very disruptive. As a separate dimension, failure to attract, retain or develop high-quality entrepreneurial management across the business could impact on the attainment of strategic objectives. The Group is focused on these areas with the implementation of globally managed service lines, management development and remuneration programmes, incorporating long and short-term incentives. Regular staff surveys are undertaken and a new Global HR Director was appointed in 2017 to further drive improvements and be alert to employee concerns or departures from the spirit of the Keywords culture.	↓
Legal and ethical standards	A material failure to comply with applicable legal and ethical standards could result in penalties, costs, reputational harm and damage to relationships with suppliers and customers. The Group promotes a culture of "Doing the Right Thing" in all activities. Business conduct guidelines are in place and are supported by more detailed policies and procedures where needed, including anti-bribery, whistleblowing, competition, inside information, confidentiality and fair dealing with customers and suppliers.	↑

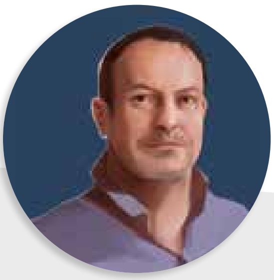
Board of Directors

Our strengthened Board

We've added two new Independent Non-Executive Directors to the Board in 2017.

Ross Graham (70)
Independent Non-Executive Director and Chairman

Ross has extensive executive and non-executive experience in the technology sector. He worked from 1987 to 2003 at Misys plc, a global software product and solutions provider. He joined 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 held a non-executive directorship at Psion plc from 2005 until 2012 when it 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. Ross was appointed Director and Chairman of Keywords prior to the flotation in July 2013.



Andrew Day (54)
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, a NYSE-listed advanced analytics business, FICO, before joining Keywords as its Chief Executive Officer in April 2009.

David Broderick (43)
Chief Financial Officer

David joined Keywords in 2016 from Dublin-based Arconics, a high-growth aviation software company where he was Chief Financial Officer. Prior to this, David was the Finance Director of European regional airline, Stobart Air (formerly Aer Arann), during a period of significant growth in 2013-2014. David previously spent eight years at Europe's largest low-cost airline, Ryanair Holdings plc, the latter six years of which were spent as Head of Investor Relations and overseeing the group's Inflight Sales Unit's finances and operations.

David Reeves (71)
Independent Non-Executive Director and Chairman of the Remuneration Committee

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 (49)
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.

Georges Fornay (61)
Independent Non-Executive Director

Georges has over 30 years' experience in the technology and video games sectors and currently sits on the board of France's second largest Independent games publisher, Focus Home Interactive, which is listed on the Alternext. Georges worked in senior management at Sony Computer Entertainment from 1995 to 2011, including as CEO of the French and Swiss divisions and culminating as the Senior Vice President from 2004-2011. During this time he oversaw the launch of the PlayStation Portable and PlayStation 3. Prior to this, Georges spent nine years at Commodore, the last five years of which were as CEO of Commodore France PC Manufacturing and Distribution. Georges has also held significant industry-wide roles including four years as President of SELL, France's Union of Entertainment Software Publishers, where he was responsible for representing and advocating the industry's and its 31 members' interests to the government. Georges was appointed a Director of Keywords in September 2017.

Charlotta Ginman (52)
Independent Non-Executive Director and Chairman of the Audit Committee

A fellow of the Institute of Chartered Accountants in England and Wales, Charlotta is Chair of the Audit Committee. She is a non-executive Director and Chair of the Audit Committee of Polar Capital Technology Trust plc, Pacific Asset Trust plc and Motif Bio plc. She is also a non-executive Director of Consort Medical plc and Unicorn AIM VCT plc. Charlotta has held senior positions in the investment banking and technology/telecom sectors.

As three out of Charlotta's six non-executive directorships are with quoted investment companies that involve less time commitment than trading companies, Charlotta is able to devote sufficient time to all of her appointments. Charlotta was appointed a Director of Keywords in September 2017.

+2

Number of Board members joined since last year.

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 2017.

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, its 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 on page 46. Dividends paid and proposed are set out on page 62. The Board is proposing a final dividend of 0.98p per share following the payment of an interim dividend of 0.48p per share in October 2017.

Directors and changes to the Board
The Directors of the Company during the year were Ross Graham, Andrew Day, David Reeves, Giorgio Guastalla, Georges Fornay, Charlotta Ginman and David Broderick.

Details of members of the Board at 31 December 2017 are set out on pages 32 to 33.

Going concern
In view of the Group's resources, cash at 31 December 2017 of €30.4m, cash flow from operations in 2017 of €13.6m, 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 pages 37 to 40. 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 page 32 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 2016 ("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 five Non-Executive Directors. The Board considers that Ross Graham, David Reeves, George Fornay and Charlotta Ginman 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 Charlotta Ginman. Ross Graham and David Reeves are the other Committee members. The Audit Committee is responsible for assisting the Board in fulfilling its financial and risk responsibilities. The Audit Committee oversees the financial reporting, risk management and internal control procedures. The Audit Committee advises the Board on the appointment and removal of the external auditor and discusses the nature, scope and results of the audit with the auditors. The Audit Committee reviews the extent of non-audit services provided by the auditors and reviews with them their independence and objectivity.

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

Governance

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.

Substantial shareholdings
At 31 December 2017, 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	4,000,736	6.5%
Octopus Investments	3,417,183	5.5%
Andrew Day	3,386,342	5.3%
Hargreaves Hale	3,379,398	5.5%
Oberweiss Asset Management	2,456,091	4.0%
BlackRock	2,261,732	3.7%
T Rowe Price Global Investments	2,135,629	3.5%
JPMorgan Asset Management	2,088,897	3.4%

Future developments
Important events since the financial year end are described on page 29 of the Strategic Report and future developments are described in the strategy section of the Strategic Report on page 10.

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 Groups' clients.

The average headcount reached a peak of 4,025 in December 2017. Keywords permanent staff complement averaged 3,167 during 2017. 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 in which operates. 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.

Directors' Report continued

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.

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 page 32, 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 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

David Broderick

David Broderick
Company Secretary
9 April 2018

Directors’ Remuneration Report

Dear fellow shareholder,

It is my pleasure to present the Directors’ Remuneration Report for the period ended 31 December 2017.

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 David Reeves (Committee Chairman), Giorgio Guastalla, Charlotta Ginman and Ross Graham. The members are all Independent Non-Executive Directors with the exception of Giorgio Guastalla, who, as founder and with a shareholding of >5% is not considered independent under the Code. Other members of the Board may attend the Committee’s meetings at the request of the Committee Chairman.

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 the Senior Management of the Group.

Non-Executive Directors, who are the members of the Remuneration Committee, are responsible for Executive remuneration. The remuneration of the Chairman of the Board is determined by the Executive Directors with the Remuneration Committee Chairman. The remuneration of the Non-Executives is a matter for the Executive members of the Board.

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

Meetings

The Remuneration Committee is planned to meet at least three times a year. In the year ended 31 December 2017, 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 2017 was €681,818 (2016: €650,432).

The remuneration paid to Non-Executive Directors for the year ended 31 December 2017 is set out in detail in the table below. Non-Executive Directors are paid a basic fee for carrying out their duties, together with additional fees being paid in respect of Board Committees and other responsibilities. Any reasonable business expenses (including tax thereon) may be reimbursed.

	2017					2016				
	Salary or fees	**Bonus**	**Pension**	**Share options**	**Total**	Salary or fees	Bonus	Pension	Share options	Total
Andrew Day	**208,925**	**62,677**	**–**	**–**	**271,602**	204,025	61,208	–	–	265,233
David Broderick	**141,830**	**43,050**	**3,587**	**–**	**188,467**	36,218	10,865	–	–	47,083
David Reeves	**64,468**	**–**	**–**	**–**	**64,468**	63,819	–	–	–	63,819
Giorgio Guastalla	**48,691**	**–**	**–**	**–**	**48,691**	46,926	–	–	–	46,926
Ross Graham	**69,244**	**–**	**–**	**–**	**69,244**	67,736	–	–	–	67,736
Charlotta Ginman*	**21,742**	**–**	**–**	**–**	**21,742**	–	–	–	–	–
Georges Fornay*	**17,603**	**–**	**–**	**–**	**17,603**	–	–	–	–	–
Andrew Lawton**	**–**	**–**	**–**	**–**	**–**	107,113	52,521	–	–	159,634
	572,504	**105,727**	**3,587**	**–**	**681,818**	525,838	124,594	–	–	650,432

* Joined 01 September 2017.
** Resigned 03 October 2016.

Directors' Remuneration Report continued

Directors' interest in shares

The interests of each person who was a Director of the Company as at 31 December 2017 (together with interests held by his or her connected persons) were:

	2017 Number	2016 Number
Giorgio Guastalla [1]	**3,600,662**	7,180,862
Andrew Day	**3,296,573**	3,796,573
Ross Graham	**58,440**	58,440
David Reeves	**32,400**	28,732
Georges Fornay	**3,142**	–
Charlotta Ginman	**1,071**	–
	6,992,288	11,064,607

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

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

Long-Term Investment Plan

	Start of year Number	Awarded Number	Exercised Number	Lapsed Number	End of year Number	Vesting date
Andrew Day	86,593	–	–	–	86,593	12 Jul 2016
	35,000	–	–	–	35,000	01 Jun 2018
	60,000	–	–	–	60,000	10 May 2019
	–	52,000	–	–	52,000	15 May 2020
David Broderick	30,000	–	–	–	30,000	03 Oct 2019
	–	30,000	–	–	30,000	15 May 2020
	211,593	82,000	–	–	293,593	

Share Option Plan

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

Awards of shares have vested or will vest on the dates shown subject to meeting the performance criteria, of which the only vesting condition is continuous service. 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 determines otherwise. The Option shall lapse the day before the seventh anniversary of the Date of Grant, assuming it is not exercised before then and no event occurs to cause it to lapse earlier under the Rules. 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 vests after four years.

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 22 on related party transactions.

David A Reeves.

David Reeves
Chairman of the Remuneration Committee

Directors’ Remuneration Policy Report

Policy and principles
The Remuneration Committee determines the Company’s policy on the structure of Executive Directors’ and if required, senior management’s 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.
- Provide a level of remuneration required to attract and motivate high-calibre Executive Directors and senior management of appropriate calibre.
- Encourage value creation through consistent and transparent alignment of incentive arrangements with the agreed company strategy over the long term.
- Ensure the total remuneration packages awarded to Executive Directors, comprising both performance-related and non-performance-related remuneration, is designed to motivate the individual, align interests with shareholders and comply with corporate governance best practice.

The Board and the Remuneration Committee believe the foregoing objectives are best achieved by a remuneration structure whereby:

- Basic pay is set at a below median level albeit sufficient for the challenges and pressures of the role.
- Annual bonuses are set at modest levels with a maximum of 30% of basic on the premise that an annual bonus doesn’t influence the behaviour or commitment of a senior executive.
- Long-term incentives are the means by which executives can earn significant rewards if, but only if, shareholders likewise have obtained a good return.

Remuneration components
Various remuneration components are combined to ensure an appropriate and balanced remuneration package which reflects the size and importance of the business unit, the executive’s experience, responsibility and position in the Company as well as market practice. For this the Remuneration Committee takes into account the performance of the individual, comparisons with peer companies and, where considered appropriate, reports from external independent consultants.

The remuneration components are comprised of the following elements:

- Fixed remuneration (basic salary);
- Performance-based remuneration (variable salary in the form of an annual bonus);
- Pension contribution;
- Other benefits; and
- Long-term incentives (in the form of performance shares or share options).

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

Basic salaries and benefits
Basic salaries are initially determined to reflect the role, and the responsibility of the individual within that role, while also upholding the principle of paying no more than is necessary (below the median).

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. With effect from 27 March 2018 salary increases of 10% have been awarded to the Executive Directors, Andrew Day and David Broderick. These are explained by the very material rise in the size of the business year-on-year. Even after the salary increases both Executive Directors have a base salary and maximum bonus below the median salary for a company of equivalent size and therefore are in line with the Remuneration Policy as set out elsewhere.

Performance-based (annual) 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 of up to 30% 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% towards the Company’s financial performance and 20% towards personal performance (however, if the Company’s financial performance is considered to be unsatisfactory the 20% for personal performance is likely to be foregone).

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%.

Pension contribution
At the discretion of the Remuneration Committee the executive directors and senior management may participate in a pension scheme facilitated by the Company. The Company does not operate any pension scheme or make pension provision for Non-Executive Directors.

Directors' Remuneration Policy Report continued

Benefits
During the period since incorporation, the Company has not contributed to any employment related benefits.

Long-term incentives
Share options
Share options programmes are in place for permanent members of staff, including the Senior Management. The focus of the share option programmes is to retain talent and create long-term shareholder value consistent with fulfilment of the Company's long-term strategic 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.

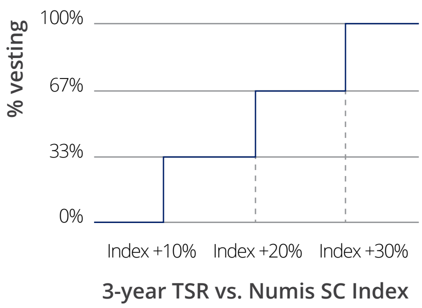
LTIP grants are made annually to a range of senior employees across the Company. Awards are made in the form of nil-value share options which vest subject to performance conditions. Performance conditions are measured over three financial years and are not retested. Conditions are reviewed annually.

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 unvested share options or 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. Similarly good leavers, including those who have served as Executive Directors, may be allowed to exercise a proportion of unvested share options or LTIPs post-termination when, or to the extent that, the underlying options or LTIPs meet the performance criteria for vesting.

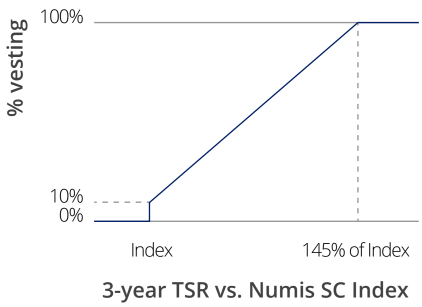
2013-15 LTIP

- Awards of nil-cost options vesting after three-years, subject to three-year TSR performance vs. Numis Small Cap (excluding Investment Trusts) Index.
- 1/3 vests for achieving Index +10%, 2/3 for Index +20% and full vesting for Index +30% over three-years.



2016-17 LTIP

- Awards of nil-cost options vesting after three-years, subject to three-year TSR performance vs. Numis Small Cap (excluding Investment Trusts) Index.
- 10% vests for performance in line with the Index with full vesting for outperforming the index by 45% over the three-year performance period.



Options

- Awards of fair market value options vesting 1/3 p.a. after two, three and four years from grant, subject to continued employment only.

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

Opinion

We have audited the financial statements of Keywords Studios PLC (the "parent company") and its subsidiaries (the "Group") for the year ended 31 December 2017 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 Notes to the Financial Statements including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements 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.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2017 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.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

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

1 Revenue recognition – cut-off

Key audit matter

Although the majority of the Groups revenue contracts are reasonably straightforward and non-complex in nature, there is a material work in progress balance as at 31 December 2017 (€5.1m). We focused on this area due to the risk of management manipulation of the timing of revenue recognition and the cut-off relating to work in progress at the year end.

Related disclosures

Refer to note 2 of the accompanying financial statements for the accounting policies of the Group in relation to Revenue Recognition.

Audit response

We have designed our audit procedures to ensure that for each material revenue stream, the correct accounting procedures have been applied and revenue has been recognised correctly in accordance with the Group Revenue Recognition policy. We have completed a substantive based audit approach across all full scope locations and completed specific audit procedures on a sample basis on less significant components of the Group.

Our procedures included validating a sample of transactions both throughout the year and around the year end, to ensure that the stage of completion and therefore work in progress is reflective of the underling project status. We have validated these transactions to sales orders and contracts from customers, project status evidence, and subsequent billing. When examining samples of transactions around the year end we have ensured that the revenue has been recognised in the correct period.

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

2 Business combinations

Key audit matter

The Group has entered into a significant number of acquisitions and business combinations throughout the year, which have had a material and extensive impact on the Groups' financial performance and position.

Following the purchase price allocations (in which identifiable assets and liabilities assumed were recognised at fair value), €66.8m of goodwill has been recognised. The fair value of certain identifiable assets acquired and liabilities assumed in a business combination is different from their carrying amounts in the acquired statements of financial position which can give rise to fair value adjustments as part of the purchase price allocations of these business combinations. Accordingly, the cumulative acquisitions are material and significant judgement is required in relation to the purchase price allocations including the resulting goodwill.

Management, determined the fair value of the identifiable assets and liabilities and notably the value of the customer relationships. The valuation of these assets were primarily based upon the expected future cash flows related to these acquisitions.

A number of these acquisitions have also included deferred consideration in the form of shares and other cash payments at future dates, which add further complexity with regard to the acquisition date fair value of such consideration as part of the consideration transferred in exchange for the acquisitions and business combinations.

Related disclosures

Refer to note 2 of the accompanying financial statements for the accounting policy in relation to business combinations. In addition, detailed disclosures have been made in relation to each business combination in note 28 to the financial statements.

Audit response

We have reviewed the underlying contracts and share purchase agreements to each acquisition to ensure that the basis for treatment of the acquisitions is in accordance with the accounting policy and International Financial Reporting Standard 3 – Business Combinations.

We have assessed the carrying value of each material balance at the date of acquisition, and have reviewed managements' assessments of the fair value of the asset and liabilities acquired, and in particular, the methodology applied in the valuation of intangible assets and goodwill.

Our procedures include:

- We reviewed the methodology applied to identify the categories of intangible assets;
- We validated that the cash flow forecasts used in the valuation are consistent with information approved by the Board and have reviewed the historical accuracy of management's forecasts in order to assess the reliance which can be placed upon managements forecasting;
- We have challenged the key assumptions such as the growth factors and discount rates by comparing them to relevant market rates and historic acquisitions to verify that management had been consistent in its approach to valuations; and
- We evaluated the adequacy of the acquisition disclosures in the Group's financial statements.

In addition, we have examined the terms of all business combinations to ensure that the fair value of any deferred/contingent consideration is treated appropriately in accordance with the Group accounting policy and IFRS 3.

We also examined the key post-combination employment contracts of former shareholders of the acquired entities, reviewing the substance of the transactions in order to ensure they have been appropriately accounted for in line with the Group accounting policy and the requirements of IFRS 3.

3 Valuation of goodwill and intangible assets

Key audit matter

As a result of both the current year, and prior year acquisitions, the Group has amassed significant intangible assets and goodwill balances. These balances are material to the financial statements, with goodwill carrying value of €109m, and intangibles carrying value of €23.5m.

Goodwill is tested for impairment at least on an annual basis. Other intangible assets are tested for impairment when a triggering event has been identified that indicates the carrying amount may not be recoverable. The valuation of goodwill and other intangible assets is significant to our audit due to the fact that the impairment test calculations are based on several key assumptions which are estimated by management, and are by nature judgemental. Key assumptions include the expected future cash flows for the forecasting period, the discount rates and perpetual growth rate.

The Directors have concluded that there is one cash generating unit ("CGU") in the Group, for the purposes of impairment assessment.

Disclosures relating to impairment of goodwill and other intangible assets are enclosed in note 11 to the consolidated financial statements.

Related disclosures

Refer to note 2 of the accompanying financial statements for the accounting policy in relation to business combinations, intangible assets and goodwill. In addition, detailed disclosures have been made in relation to each business combination in note 28 to the financial statements. Detailed disclosures are made in note 11 relating to goodwill, and note 12 in relation to intangible assets.

Audit response

We have reviewed management's assessment of the carrying value of goodwill and intangible assets. We have challenged the Directors assumptions in relation to CGU identification, cash flow forecasting, discount rates applied, and future growth rates.

Our procedures included:

- We have validated that the CGU identified is the lowest level at which management monitors goodwill and intangible assets;
- We have verified the accuracy of the cash flow forecasts used, and ensured that these represent those which are reviewed by the Board;
- We have reviewed and assessed the accuracy of the historical forecasts prepared by the Group to ensure that reliance can be placed upon their accuracy;
- We have assessed the key estimates and inputs into the discounted cash flow models, including the growth rates assumed, and verified this where possible to supporting evidence such as post year-end activities;
- We have completed our own sensitivity analyses in relation to the cash flow models and have stress tested all key assumptions used; and
- We have considered the appropriateness of the disclosures relating to the valuation of goodwill and intangible assets in the financial statements.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluation the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

Importantly, misstatements below these levels will not necessarily be evaluated as immaterial, as we also take into account the nature of identified misstatements, and in particular the circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the financial statements as a whole to be €1.2m, which represents 10% of profit before income tax and represents less than 1% of equity. We consider profit before income tax to be the most significant determinant of the Group's financial performance used by shareholders and other users and therefore consider this as an appropriate basis for materiality. Our materiality is higher than the level we set for the year ended 31 December 2016 (€0.9m), due to the higher profits of the Group.

We agreed with the Audit Committee that we would report to the Committee all individual differences identified during the course of our audit in excess of €60,000 (2016: €47,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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

An overview of the scope of our audit
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group-wide controls, and assessing the risks of material misstatement identified at Group level. The Group has operations in 21 locations, and 55 wholly owned subsidiary entities.

Based on that assessment, we have completed full scope audit procedures in relation to the following entities; Keywords Studios PLC, VMC Consulting Corporation, Volt Canada Inc, Volt Canada Sciences BC, Keywords International Inc, Synthesis SGSS, Sillabit S.R.L and Binari Sonori S.R.L. In addition, specific audit procedures have been completed in relation to certain material balances and transaction streams in Babel Games Services Inc, Kite Team SRL, GVGS Europe Inc and Keywords International Co. Limited (Japan) and Sperasoft Inc, Sperasoft Studio LLC, and Alchemic Dream Inc. The above entities represent 75% of Group revenues and 87% of Group profits before tax.

Whilst materiality for the financial statements as a whole was €1.2m, each component of the Group was audited to a lower level of materiality.

Audits of these components were performed at a materiality level calculated by reference to a proportion of Group materiality appropriate to the relative scale of the business concerned.

The Group auditor, BDO Dublin, has audited Keywords Studios PLC, Keywords International Limited, Keywords International Inc, VMC Consulting Corporation and Volt Canada Inc directly. Their involvement in the work performed by other component auditors varies by location and involves, at a minimum, direction of the audit procedures to be completed, and review of the reports received in relation to the results of the audit work undertaken by component audit teams.

In the current year, the Senior Statutory auditor or senior members of the Group audit team have visited the following reporting locations on planned visits: Japan (Keywords International Co. Limited) and Spain (Kite Team SL). These visits are to direct and review the work performed by component auditors.

At the parent company level we have also tested the consolidation process and carried out additional procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to full scope or specific procedures.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of Directors
As explained more fully in the Directors' Responsibilities Statement set out on page 36, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements
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.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Teresa Morahan (Senior Statutory Auditor)
For and on behalf of BDO, Statutory Auditor
Dublin 2,
Ireland
9 April 2018

Consolidated Statement of Comprehensive Income

	Note	Years ended 31 December 2017 €'000	2016 €'000
Revenues	4	**151,430**	96,585
Cost of sales	5	**(96,345)**	(59,907)
Gross profit		**55,085**	36,678
Share option expense	17	**(1,426)**	(686)
Costs of acquisition and integration		**(3,016)**	(1,316)
Amortisation of intangible assets		**(3,038)**	(1,629)
Total of items excluded from adjusted profit measures		**(7,480)**	(3,631)
Other administration expenses		**(31,170)**	(21,588)
Administrative expenses		**(38,650)**	(25,219)
Operating profit		**16,435**	11,459
Financing income	6	**26**	94
Financing cost	6	**(4,467)**	(2,118)
Profit before taxation		**11,994**	9,435
Tax expense	7	**(4,731)**	(3,223)
Profit		**7,263**	6,212
Other comprehensive income:			
Items that will not be reclassified subsequently to profit of loss			
Exchange gains/(loss) on capital investments		**(893)**	–
Actuarial loss on defined benefit	19	**(25)**	(63)
Items that may be reclassified subsequently to profit of loss			
Exchange gains/(loss) on translation of foreign operations		**(3,598)**	489
Total comprehensive income:		**2,747**	6,638
Profit for the period attributable to:			
Owners of the parent		**7,263**	6,273
Non-controlling interest		**–**	(61)
		7,263	6,212
Total comprehensive income attributable to:			
Owners of the parent		**2,747**	6,699
Non-controlling interest		**–**	(61)
		2,747	6,638

Earnings per share		**€ Cent**	€ Cent
Basic earnings per ordinary share (€ cent)	8	**12.37**	11.22
Diluted earnings per ordinary share (€ cent)	8	**11.87**	10.87

The notes set from page 53 onwards form an integral part of these consolidated financial statements.

On Behalf of the Board

Andrew Day
Director
9 April 2018

David Broderick
Director

Consolidated Statement of Financial Position

	Note	2017 €'000	2016 €'000
Non-current assets			
Property, plant and equipment	13	**10,111**	5,498
Goodwill	11	**109,007**	46,799
Intangible assets	12	**23,548**	8,696
Deferred tax assets	26	**1,206**	880
		143,872	61,873
Current assets			
Trade receivables	14	**27,473**	13,879
Other receivables	15	**22,335**	7,778
Cash and cash equivalents		**30,374**	17,020
		80,182	38,677
Total assets		**224,054**	100,550
Equity			
Share capital	16	**737**	654
Share capital – to be issued		**11,739**	8,792
Share premium		**102,054**	19,983
Merger reserve		**28,878**	22,109
Foreign exchange reserve		**(3,504)**	987
Treasury shares held in EBT		**(1,997)**	(1,434)
Share option reserve		**2,545**	1,305
Retained earnings		**20,679**	14,308
		161,131	66,704
Non-controlling interest		**–**	–
Total equity		**161,131**	66,704
Current liabilities			
Trade payables		**7,310**	4,822
Other payables	18	**23,005**	12,431
Loans and borrowings	20	**18,943**	8,025
Corporation tax liabilities		**3,245**	2,552
		52,503	27,830
Non-current liabilities			
Other payables	18	**1,233**	1,592
Employee Defined Benefit	19	**1,055**	826
Loans and borrowings	20	**337**	345
Deferred tax liabilities	26	**7,795**	3,253
		10,420	6,016
Total equity and liabilities		**224,054**	100,550

The notes set from page 53 onwards form an integral part of these consolidated financial statements. The financial statements were approved and authorised for issue by the Board on 9 April 2018.

On Behalf of the Board

Andrew Day
Director
9 April 2018

David Broderick
Director

Consolidated Statement of Changes in Equity

	Share capital €'000	Shares to be issued €'000	Share premium €'000	Merger reserve €'000	Foreign exchange reserve €'000	Treasury 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 2016	646	–	18,542	22,109	498	(804)	619	10,293	51,903	(1,309)	50,594
Profit for the period	–	–	–	–	–	–	–	6,273	6,273	(61)	6,212
Other comprehensive income	–	–	–	–	489	–	–	(63)	426	–	426
Total comprehensive income for the period	–	–	–	–	489	–	–	6,210	6,699	(61)	6,638
Contributions by and contributions to the owners:											
Share option expense	–	–	–	–	–	–	686	–	686	–	686
Share options exercised	–	–	–	–	–	(632)	–	–	(632)	–	(632)
Dividends paid	–	–	–	–	–	–	–	(825)	(825)	–	(825)
Treasury shares ringfenced for EBT	–	–	–	–	–	2	–	–	2	–	2
Shares issued for cash	4	–	643	–	–	–	–	–	647	–	647
Shares issued upon acquisition – Volta Creation Inc	1	–	169	–	–	–	–	–	170	–	170
Shares to be issued (Synthesis acquisition)	–	6,906	–	–	–	–	–	–	6,906	–	6,906
Shares to be issued (Mindwalk acquisition)	–	1,886	–	–	–	–	–	–	1,886	–	1,886
Elimination of Minority Interest in Kite Team	–	–	–	–	–	–	–	(1,370)	(1,370)	1,370	–
Shares Issued on settlement with Kite Team	1	–	149	–	–	–	–	–	150	–	150
Keywords France Incorporation	–	–	–	–	–	–	–	–	–	–	–
Shares issued upon acquisition – Player Research Ltd	1	–	331	–	–	–	–	–	332	–	332
Shares issued upon acquisition – Sonox Audio Solutions SL	–	–	149	–	–	–	–	–	149	–	149
Contributions by and contributions to the owners	7	8,792	1,441	–	–	(630)	686	(2,195)	8,102	1,370	9,472
Balance at 31 December 2016	**653**	**8,792**	**19,983**	**22,109**	**987**	**(1,434)**	**1,305**	**14,308**	**66,704**	**–**	**66,704**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,263**	**7,263**	**–**	**7,263**
Other comprehensive income	**–**	**–**	**–**	**–**	**(4,491)**	**–**	**–**	**(25)**	**(4,516)**	**–**	**(4,516)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(4,491)**	**–**	**–**	**7,238**	**2,747**	**–**	**2,747**
Contributions by and contributions to the owners:											
Shares issued for cash	**61**	**–**	**82,261**	**–**	**–**	**–**	**–**	**–**	**82,322**	**–**	**82,322**
Share option expense	**–**	**–**	**–**	**–**	**–**	**–**	**1,240**	**–**	**1,240**	**–**	**1,240**
Share options exercised	**6**	**–**	**608**	**–**	**–**	**(563)**	**–**	**–**	**51**	**–**	**51**
Dividends paid (note 9)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(867)**	**(867)**	**–**	**(867)**
Shares issued upon acquisition – Xloc Inc	**–**	**–**	**–**	**184**	**–**	**–**	**–**	**–**	**184**	**–**	**184**
Shares issued upon acquisition – GameSim Inc	**2**	**–**	**–**	**1,392**	**–**	**–**	**–**	**–**	**1,394**	**–**	**1,394**
Shares issued upon acquisition – LOLA	**–**	**–**	**–**	**168**	**–**	**–**	**–**	**–**	**168**	**–**	**168**
Shares issued upon acquisition – d3t	**–**	**–**	**–**	**686**	**–**	**–**	**–**	**–**	**686**	**–**	**686**
Shares issued upon acquisition – asrec	**–**	**–**	**–**	**101**	**–**	**–**	**–**	**–**	**101**	**–**	**101**
Shares Issued on deferred settlement with Synthesis Group	**14**	**(3,454)**	**–**	**3,440**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Shares to be issued (Red Hot acquisition)	**–**	**1,468**	**–**	**–**	**–**	**–**	**–**	**–**	**1,468**	**–**	**1,468**
Shares to be issued (Sperasoft acquisition)	**–**	**4,133**	**–**	**–**	**–**	**–**	**–**	**–**	**4,133**	**–**	**4,133**
Shares to be issued (Around The Word & Dune Sound acquisition)	**–**	**800**	**–**	**–**	**–**	**–**	**–**	**–**	**800**	**–**	**800**
Reclassification of share premium on acquisitions to merger reserve	**–**	**–**	**(798)**	**798**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Contributions by and contributions to the owners	**83**	**2,947**	**82,071**	**6,769**	**(4,491)**	**(563)**	**1,240**	**6,371**	**94,427**	**–**	**94,427**
Balance at 31 December 2017	**737**	**11,739**	**102,054**	**28,878**	**(3,504)**	**(1,997)**	**2,545**	**20,679**	**161,131**	**–**	**161,131**

Consolidated Statement of Cash Flows

	Note	Years ended 31 December 2017 €'000	2016 €'000
Cash flows from operating activities			
Profit after tax		**7,263**	6,212
Income and expenses not affecting operating cash flows			
Depreciation	13	**2,730**	1,803
Intangibles amortisation	12	**3,038**	1,629
Income tax expense	7	**4,731**	3,223
Share option expense	17	**1,426**	686
Loss on disposal of fixed assets		**103**	–
Fair value adjustment on deferred consideration		**190**	264
Interest receivable		**(26)**	(94)
Employee benefit costs		**209**	63
Interest expense		**388**	152
Unrealised foreign exchange losses		**2,033**	55
		14,822	7,781
Changes in operating assets and liabilities			
Decrease/(Increase) in trade receivables		**2,506**	(3,788)
(Increase)/Decrease in other receivables		**(5,413)**	3,245
(Decrease)/Increase in trade and other payables		**(82)**	3,718
		(2,989)	3,175
Income taxes paid		**(5,454)**	(2,129)
Net cash provided by operating activities		**13,642**	15,039
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired		**(86,776)**	(19,109)
Acquisition of remaining 50% of Kite		**–**	(1,000)
Settlement of deferred liabilities on acquisitions		**(298)**	(995)
Disposal of short-term investments		**–**	27
Acquisition of property, plant and equipment	13	**(3,803)**	(2,306)
Interest received		**26**	94
EBT share purchase		**–**	2
Net cash used in investing activities		**(90,851)**	(23,287)
Cash flows from financing activities			
Loan to finance Multimedia Tax Credits		**–**	(1,157)
Repayment of loans	30	**(23)**	(625)
Loan to finance acquisitions	30	**10,250**	8,000
Dividends paid	9	**(867)**	(825)
Financing EBT for share options exercised		**(563)**	(632)
Shares issued		**82,936**	643
Interest paid	6	**(279)**	(152)
Net cash provided by financing activities		**91,454**	5,252
Increase/(Decrease) in cash and cash equivalents		**14,245**	(2,996)
Exchange (loss)/gain on cash and cash equivalents		**(891)**	998
Cash and cash equivalents at beginning of the period		**17,020**	19,018
Cash and cash equivalents at end of period		**30,374**	17,020

Company Statement of Financial Position

	Note	2017 €'000	2016 €'000
Non-current assets			
Property, plant and equipment		**1**	2
Investment in subsidiaries	21	**30,659**	30,659
Other receivables	15	**3,300**	4,243
		33,960	34,904
Current assets			
Other receivables	15	**129,153**	22,088
Cash and cash equivalents		**6,261**	946
		135,414	23,034
Total assets		**169,374**	57,938
Equity			
Share capital	16	**737**	654
Share capital – to be issued		**11,739**	8,792
Share premium		**102,054**	19,983
Merger reserve – acquisitions		**34,561**	27,792
Treasury shares held for EBT		**(1,997)**	(1,434)
Share option reserve		**2,545**	1,305
Retained earnings		**(311)**	(8,605)
		149,328	48,487
Current liabilities			
Trade payables		**215**	175
Other payables	18	**1,578**	414
Loans and borrowings	20	**18,250**	8,000
Corporation tax liabilities		**3**	2
		20,046	8,591
Non-current liabilities			
Other payables	18	**–**	860
Total equity and liabilities		**169,374**	57,938

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 €9,161k (2016: loss (€5,182k).

The notes on pages 53 to 96 form an integral part of these financial statements. The financial statements were approved and authorised for issue by the Board on 9 April 2018.

On Behalf of the Board

Andrew Day
Director
9 April 2018

David Broderick
Director

Company Statement of Changes in Equity

	Share capital €'000	Shares to be issued €'000	Share premium €'000	Merger reserve €'000	Treasury shares held for EBT €'000	Share option reserve €'000	Retained earnings €'000	Total equity €'000
Balance at 1 January 2016	**646**	**–**	**18,542**	**27,792**	**(804)**	**619**	**(2,598)**	**44,197**
Loss for the period	–	–	–	–	–	–	(5,182)	(5,182)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(5,182)**	**(5,182)**
Contributions by and contributions to the owners:								
Share option expense	–	–	–	–	–	686	–	686
Share options exercised	–	–	–	–	(632)	–	–	(632)
Dividends paid (note 9)	–	–	–	–	–	–	(825)	(825)
Treasury shares ringfenced for EBT	–	–	–	–	2	–	–	2
Shares issued for cash – Numis Warrants	5	–	643	–	–	–	–	648
Shares issued upon acquisition – Volta Creation Inc	1	–	169	–	–	–	–	170
Shares to be issued (Synthesis Acquisition)	–	6,906	–	–	–	–	–	6,906
Shares to be issued (Mindwalk Acquisition)	–	1,886	–	–	–	–	–	1,886
Acquisition of Kite Team Final 50% (note 16)	1	–	149	–	–	–	–	150
Keywords France Incorporation	–	–	–	–	–	–	–	–
Shares issued upon acquisition – Player Research Ltd	1	–	331	–	–	–	–	332
Shares issued upon acquisition – Sonox Audio Solutions SL	–	–	149	–	–	–	–	149
Contributions by and contributions to the owners	**8**	**8,792**	**1,441**	**–**	**(630)**	**686**	**(825)**	**9,472**
Balance at 31 December 2016	**654**	**8,792**	**19,983**	**27,792**	**(1,434)**	**1,305**	**(8,605)**	**48,487**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**9,161**	**9,161**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**9,161**	**9,161**
Contributions by and contributions to the owners:								
Shares issued for cash	61	–	82,261	–	–	–	–	82,322
Share option expense (note 17)	–	–	–	–	–	1,240	–	1,240
Share options exercised	6	–	608	–	(563)	–	–	51
Dividends paid (note 9)	–	–	–	–	–	–	(867)	(867)
Shares issued upon acquisition – XLOC	–	–	–	184	–	–	–	184
Shares issued upon acquisition – GameSim Inc	2	–	–	1,392	–	–	–	1,394
Shares issued upon acquisition – asrec	–	–	–	101	–	–	–	101
Shares issued upon acquisition – d3t	–	–	–	686	–	–	–	686
Shares issued upon acquisition of – LOLA	–	–	–	168	–	–	–	168
Shares Issued on deferred settlement with Synthesis Group	14	(3,454)	–	3,440	–	–	–	–
Shares to be issued – Red Hot Acquisition	–	1,468	–	–	–	–	–	1,468
Shares to be issued – Around the Word Acquisition	–	800	–	–	–	–	–	800
Shares to be issued – Sperasoft Acquisition	–	4,133	–	–	–	–	–	4,133
Reclassification of share premium on acquisitions to distributable reserves	–	–	(798)	798	–	–	–	–
Contributions by and contributions to the owners	**83**	**2,947**	**82,071**	**6,769**	**(563)**	**1,240**	**(867)**	**91,680**
Balance at 31 December 2017	**737**	**11,739**	**102,054**	**34,561**	**(1,997)**	**2,545**	**(311)**	**149,328**

Company Statement of Cash Flows

	Note	Years ended 31 December 2017 €'000	2016 €'000
Cash flows from operating activities			
Profit/(Loss) after tax		**9,161**	(5,182)
Income and expenses not affecting operating cash flows			
Income tax expense		**–**	4
Share option expense		**100**	145
Loss on payment of deferred consideration		**–**	264
Interest income		**(268)**	(17)
Share issuance costs		**203**	82
Interest expense		**366**	–
		401	478
Changes in operating assets and liabilities			
(Increase)/Decrease in other receivables		**(10,400)**	4,199
Increase/(Decrease) in trade and other payables		**228**	(304)
		(10,172)	3,895
Income taxes paid		**–**	(4)
Net cash used by operating activities		**(610)**	(813)
Cash flows from investing activities			
Acquisition of property, plant and equipment		**–**	(2)
Interest received		**–**	17
EBT share purchase		**–**	2
Net cash provided by investing activities		**–**	17
Cash flows from financing activities			
Financing the acquisition of subsidiaries		**(85,604)**	(18,030)
Loan to finance acquisitions		**10,250**	8,000
Dividends paid	9	**(867)**	(825)
Shares issued		**82,936**	1,449
Financing EBT for share options exercised		**(563)**	(492)
Interest paid		**(229)**	(14)
Net cash used in financing activities		**5,923**	(9,912)
Increase/(Decrease) in cash and cash equivalents		**5,313**	(10,708)
Cash and cash equivalents at beginning of the period		**948**	11,656
Cash and cash equivalents at end of period		**6,261**	948

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. The consolidated financial statements include the financial statements of the Company and its subsidiaries (the "Group") made up to 31 December 2017. 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").

The financial statements have been prepared in thousands (€'000) and the financial statements are presented in Euro (€) which is the functional currency of the Group.

New Standards, Interpretations and Amendments Effective from 1 January 2017

The Group has applied the requirements of IAS 7, Disclosure Initiative, effective from 1 January 2017. The disclosures are included within note 30.

None of the amendments to Standards that are effective from 1 January 2017 had a significant effect on the Group's financial statements.

New Standards, Interpretations and Amendments Not Yet Effective

Impact of IFRS 9

IFRS 9, Financial Instruments, is mandatorily effective for periods beginning on or after 1 January 2018, with early adoption permitted. The Group has not adopted IFRS 9 early, however, is currently assessing the impact of its implementation.

IFRS 9 establishes the measurement principles for both financial assets and financial liabilities, at both initial recognition and subsequent re-measurement.

Financial assets

The majority of the Group's financial assets include:

- Cash;
- Short-term receivables including trade receivables, accrued income, and multimedia tax credits; and
- Intragroup balances and receivables (parent company only).

These assets are considered to be part of the "hold to collect" model, and therefore measured at amortised cost.

Our financial assets are short-term in their nature, and no receivables have significant credit terms or interest charged accordingly.

The Group is expecting to apply the simplified approach to applying lifetime expected credit losses on certain financial assets, and while our assessment is ongoing, we are not expecting a material difference to the carrying value of our financial assets as a result of the implementation of the new standard.

From the Company Statement of Financial Position perspective, we are assessing the impact which the standard will have on the valuation of our receivables due from intergroup entities.

Financial Liabilities

The most significant of the Group's financial liabilities include:

- Bank loans and borrowings;
- Trade payables; and
- Contingent consideration arising as part of business combinations.

The Group expects to continue to value bank loans and borrowings at amortised cost, and to value contingent consideration at fair value through profit and loss model ("FVTPL").

When valuing the financial liabilities under the FVTPL model, the Group will need to assess any changes in its own credit status, however, this is not expected to result in any significant changes to the valuation of such financial liabilities.

Impact of IFRS 15

On review of IFRS 15, Revenue from Contracts with Customers, the five key points to recognise revenue have been assessed:

Step 1: Identify the contract(s) with a customer;
Step 2: Identify the performance obligations in the contract;
Step 3: Determine the transaction price;
Step 4: Allocate the transaction price to the performance obligations in the contract; and
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Notes Forming Part of the Consolidated and Company Financial Statements continued

1 Basis of Preparation continued
On the basis of the contracts in place, the Group do not envision a material impact on the financial statements once IFRS 15 is implemented. However, given the acquisitive nature of the Group, and the new revenue streams, this process of assessment will be ongoing.

Impact of IFRS 16
There are a number of operating leases across the Group. In accordance with IFRS 16 Leases, their change in treatment in the financial statements from 1 January 2019 will impact the Statement of Financial Position, increasing both long-term assets and liabilities.

On the adoption of IFRS 16 on Leases on 1 January 2019, the Group will recognise right-of-use assets and related liabilities for all material lease arrangements over 12 months in duration. Material lease arrangements in the Group relate primarily to leases on premises. The main impact on the financial statements will be to increase both assets and liabilities on the Statement of Financial Position in relation to leases currently considered as operating leases at present value. In the Statement of Changes in Equity, leases will be recognised in the future as capital expenditure on the purchasing side and will no longer be recorded as operating expenses. As a result the operating expenses under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expense increase. This will lead to an improvement in EBITDA. Based on leases outstanding at the end of 2017, the Group's initial assessment of the impact is that the comparable additional Asset and Liability will be in the order of €17m. The Groups' Cash Flow Statement will include additional detail on the Cash Flow Statement to separate Interest repayments and capital repayments on leases.

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 from the date on which control is obtained until the date on which control ceases.

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. At each balance sheet date the fair value of the contingent consideration will be revalued and any change will be recognised in the Statements of Comprehensive Income.

For deferred consideration which is to be provided for by the issue of a fixed number of shares at a future defined date, where there is no obligation on Keywords to offer a variable number of shares, the deferred consideration is to be classified as an Equity Arrangement and the value of the shares is fixed at the date of the acquisition.

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.

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, re-measured 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.

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 cashflows to be generated from net margin on the business from the main customers taken on at acquisition. The assets are amortised over their useful economic lives, which is deemed to be five years.

There are no intangible assets with indefinite useful lives.

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 has one CGU. This CGU represents the lowest level at which goodwill is monitored by the Group and the lowest level at which management captures information for internal management reporting purposes about the benefits of the goodwill. 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.

Cash and Cash Equivalents
For the purpose of presentation in the Statement of Financial Position and on the Statement of Cash Flows, cash and cash equivalents include cash on hand, on call deposits with financial institutions.

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.

Exchange differences on capital loans are recorded as other comprehensive income.

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.

Notes Forming Part of the Consolidated and Company Financial Statements continued

2 Significant Accounting Policies continued

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.

Revenue on services provided is recognised on the basis of words translated, studio time completed, testing hours or player support hours finished, or milestones reached in art creation or engineering as a proportion of the estimate total to complete the projects, by the expected revenue accruing on completion.

This revenue recognition policy is unchanged at the full adoption of IFRS 15 from 1 January 2018, as the performance obligations on services provided are considered as performance obligations satisfied over time, in accordance with S 35 of IFRS 15, Revenue from Contracts with Customers.

Revenue in relation to software licence sales is recognised over the period of the use by the client of the licence.

Where there are separate performance obligations inherent in a contract, the related revenue streams are considered separately for performance measurement.

MMTC Grants

The multimedia tax credits received in Montreal on testing services are a credit against staff costs. Accordingly they are treated as a deduction against direct costs. The nature of the grants are such that they are not dependent on taxable profits.

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 holding company and recharged to the subsidiary company through intercompany charge.

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 Index (excluding Investment Trusts) in terms of shareholder return over a three-year period. For the awards up to 2015, there were three award levels: one-third of the share options vest if the Company shall exceed the Total Shareholder Returns of the Numis Small Cap Index by not less than 10%, two-thirds if the shareholder return exceeds by over 20% and 100% if the shareholder return exceeds by over 30%. This was amended for the 2016 and 2017 awards to 100% if the shareholder return exceeds by over 45%, and a pro-rated return between 10% and 100% if the shareholder return exceeds by between 0% and 45%.

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.

Property, plant and equipment acquired through business combinations are valued at fair value on the date of acquisition.

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.

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.

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 are necessary for the working capital requirements of the Group. They include cash in hand, deposits held at call with banks and other short-term highly liquid investments. 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.

Notes Forming Part of the Consolidated and Company Financial Statements continued

2 Significant Accounting Policies continued

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 the computation of income taxes, the value of goodwill and intangible assets arising on acquisitions, the valuation of multimedia tax credits and the valuation of the defined retirement benefits for employees in Italy. 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 judgements 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 2017, at €67m and €19m respectively, were derived from the projected cashflows for those businesses at the time of acquisition, the balance sheet information provided and 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 may be able to generate.

On an annual basis, the full value of intangibles is assessed through an impairment review.

Multimedia Tax Credits

The submissions for the repayment of Multimedia 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 more or less than accrued which will lead to a change in the amounts recognised within the financial statements.

Employee Defined Retirement Benefit

In line with statutory requirements in Italy, the subsidiaries in Milan maintain Employee Defined Benefit schemes. On leaving the Company, each employee is entitled to 1/13.5 of their final salary for each year of service.

At year end, the Group commissioned an actuarial valuation of the related liability, based on salaries, length of service and variables including employee turnover, estimated salary increases and cost of capital.

The liabilities at year end are recorded as long-term. The actuarial loss is recorded separately as other comprehensive income.

4 Segmental Analysis

Management considers that the Group's activity as a single source supplier of Services to the gaming industry 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 seven 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.
- Player Support – Player 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.
- Engineering – Engineering relates to software engineering services which are integrated with client processes to develop video games.

There is no allocation of operating expenses, profit measures, assets and liabilities to individual product groupings. Accordingly the disclosures below are provided on a Group-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	
	2017 €'000	2016 €'000
Revenue by line of business		
Art creation	**26,193**	16,559
Audio	**20,657**	17,263
Localisation	**41,959**	32,360
Functional testing	**30,033**	8,619
Localisation testing	**19,848**	16,204
Customer support	**9,168**	5,580
Engineering	**3,572**	–
	151,430	96,585

No single customer (2016: None) accounted for more than 10% of the Group's revenue during the year.

Geographical Analysis of Revenues by Jurisdiction

Analysis by geographical regions is made according to the Group's operational jurisdictions. For many contracts, operations are completed in multiple sites. Revenue is associated with the jurisdiction from which the final invoice to the client is raised. This does not reflect the region of the Group's customers, whose locations are worldwide.

	31 December 2017 €'000	31 December 2016 €'000
Canada	**45,648**	22,053
Ireland	**34,277**	25,570
Switzerland	**19,565**	17,838
Italy	**10,029**	7,269
India	**5,177**	4,591
United States	**12,199**	5,250
Japan	**6,352**	4,886
United Kingdom	**2,467**	1,276
Spain	**2,194**	2,167
China	**3,685**	24
Singapore	**4,451**	4,787
Germany	**928**	163
Brazil	**520**	619
Mexico	**180**	92
France	**3,758**	–
Russia	**–**	–
Poland	**–**	–
Philippines	**–**	–
Taiwan	**–**	–
Total revenues	**151,430**	96,585

Notes Forming Part of the Consolidated and Company Financial Statements continued

4 Segmental Analysis continued

Geographical Analysis of Non-Current Assets from Continuing Businesses

	31 December 2017 €'000	31 December 2016 €'000
Canada	**8,889**	8,937
Ireland	**1,064**	4,779
Switzerland	**11,158**	12,657
Italy	**11,723**	12,188
India	**2,588**	2,991
United States	**77,177**	8,657
Japan	**565**	43
United Kingdom	**10,011**	6,874
Spain	**1,520**	1,475
China	**7,707**	287
Singapore	**42**	60
Germany	**1,168**	1,241
Brazil	**231**	259
Mexico	**892**	121
France	**6,531**	424
Russia	**866**	–
Poland	**58**	–
Philippines	**472**	–
Taiwan	**4**	–
	142,666	60,993

5 Cost of Sales and Operating Profit

Cost of sales	2017 €'000	2016 €'000
Staff costs	**98,850**	61,232
Multimedia tax grant income	**(4,408)**	(2,289)
Other direct costs	**1,903**	964
	96,345	59,907

Operating profit is stated after charging:

	Years ended 31 December 2017 €'000	2016 €'000
Depreciation	**2,730**	1,803
Amortisation of intangible assets	**3,038**	1,630
Costs of acquisitions and integration	**3,016**	1,316
Operating lease repayments	**2,369**	2,371

One-time costs of €3,016k (2016 €1,316k) were incurred in acquiring and integrating the new entities into the Group. The most significant costs within the integration costs are for internal resource who have led the activities to integrate the new acquisitions into the Group, and legal costs in relation to acquisitions.

Of the €3,016k incurred, €2,342k were incurred directly on the costs of acquisitions. The costs per acquisition are set out on note 31.

	2017 €'000	2016 €'000
Auditors' remuneration		
Audit services		
Parent company and Group audit	**164**	115
Subsidiary companies audit	**99**	111
Non-audit services		
Acquisition related due diligence services	**242**	–
Taxation compliance	**73**	52
	578	278

6 Financing Income and Costs

	2017 €'000	2016 €'000
Finance income		
Interest received	**26**	94
	26	94
Finance cost		
Bank charges	**(320)**	(229)
Interest expense	**(578)**	(152)
Foreign exchange losses	**(3,569)**	(1,737)
	(4,467)	(2,118)
Net financing cost	**(4,441)**	(2,024)

7 Taxation

	2017 €'000	2016 €'000
Current income tax		
Income tax on profits of parent company	**–**	4
Income tax on profits of subsidiaries	**5,762**	3,928
Deferred tax (note 26)	**(1,031)**	(709)
	4,731	3,223

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

	Years ended 31 December 2017 €'000	2016 €'000
Profit before tax	**11,994**	9,435
Expected tax charge based on the standard rate of taxation in the UK at 19.25% (2016: 20%)	**2,309**	1,887
Higher rates of current income tax in overseas jurisdictions	**3,759**	1,331
Lower rates of current income tax in overseas jurisdictions	**(257)**	(555)
Losses incurred	**(162)**	998
Effects of other timing differences	**(918)**	(438)
Total tax charge	**4,731**	3,223

The Group's subsidiaries are located in different jurisdictions and are taxed on their residual profit in those jurisdictions.

As there are minimal taxable profits in the UK, the impact of the drop in the corporation tax % is less than €10k for 2017.

Notes Forming Part of the Consolidated and Company Financial Statements continued

7 Taxation continued

Tax effects relating to each component on other comprehensive income

	2017 €'000	2016 €'000
Exchange loss on capital investments	**(893)**	–
Tax (expense)/benefit	**–**	–
	(893)	–
Actuarial loss on defined benefit plans	**(25)**	(63)
Tax benefit	**7**	18
Net of tax amount	**(18)**	(45)
Exchange (loss)/gain on translation of foreign operations	**(3,598)**	489
Tax benefit/(expense)	**–**	–
Net of tax amount	**(3,598)**	489

8 Earnings per Share

	2017 € Cent	2016 € Cent
Basic	**12.37**	11.22
Diluted	**11.87**	10.87
	€'000	€'000
Profit for the period from continuing operations	**7,263**	6,273
	Number	Number
Denominator (weighted average number of equity shares)		
Basic	**58,720,884**	55,918,481
Diluted	**61,198,672**	57,716,435

The basic and diluted weighted average denominators include the impact of the 2,188,608 shares to be issued relating to consideration on acquisitions.

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 17.

9 Dividends

	2017		2016	
	Per share € Cent	Total €'000	Per share € Cent	Total €'000
Final dividends paid	**1.01**	**563**	1.03	561
Interim dividends paid	**0.54**	**304**	0.49	264
Dividends paid to shareholders	**1.55**	**867**	1.52	825

In May 2016, Keywords Studios PLC approved a dividend in respect of the financial year ended 31 December 2015 of 0.81p/1.034 cent per ordinary share, or €561k in total, as a final dividend for 2015. The dividend was paid in June 2016.

In September 2016, Keywords Studios PLC approved a dividend of 0.44p/0.49 cent per share, based on the shares in issue at that time, or €264k in total, as an interim dividend for 2016. The dividend was paid in October 2016.

In April 2017, Keywords Studios PLC approved a dividend in respect of the financial year ended 31 December 2016 of 0.89p/1.01 cent per ordinary share, or €563k in total, as a final dividend for 2016. The dividend was paid in June 2017.

In September 2017, Keywords Studios PLC approved a dividend of 0.48p/0.54 cent per share, based on the shares in issue at that time, or €304k in total, as an interim dividend for 2017. The dividend was paid in October 2017.

The Directors' recommend a final dividend in respect of the financial year ended 31 December 2017 of 0.98p per ordinary share, to be paid on 22 June 2018 to shareholders who are on the register at 1 June 2018. This dividend is not reflected in these financial statements as it does not represent a liability at 31 December 2017. The final proposed dividend will reduce shareholders' funds by an estimated €680,000.

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.

10 Staff Costs

Total staff costs (including Directors) comprise the following:

Group

	2017 €'000	2016 €'000
Salaries and related costs	**81,563**	41,643
Share-based payment costs	**1,426**	686
	82,989	42,329

Company

	2017 €'000	2016 €'000
Salaries and related costs	**1,165**	1,010
Share-based payment costs	**1,426**	145
	2,591	1,155

Key management compensation:

	2017 €'000	2016 €'000
Salaries and related costs	**690**	769
Social welfare cost	**79**	97
Pension cost	**4**	29
Share-based payment costs	**141**	42
	914	937

The key management compensation includes compensation to seven Directors of Keywords Studios PLC during the year. (2016: Six).

Group

	2017	2016
Average number of employees		
Operations	**2,921**	1,688
General and administration	**246**	130
	3,167	1,818

11 Goodwill

	€'000
At 1 January 2016	23,893
Recognition on acquisition of subsidiaries	23,055
Revaluation on exchange rate movement	(149)
At 31 December 2016	46,799
Recognition on acquisition of subsidiaries	66,853
Revaluation on exchange rate movement	(4,645)
At 31 December 2017	**109,007**

During the period, goodwill arose on the acquisitions of Spov, XLOC, GameSim, Red Hot, Around the Word, asrec, Le Marque Rose, d3t, VMC, Sperasoft and LOLA.

The Group assesses the carrying value of goodwill each year on the basis of budget projections, assumptions on revenue growth rates, current gross margins, operating expense growth and effective tax rates. The discount rates used at 12.5% are consistent with the latest valuation of WACC which is based on external measures.

The carrying value at €109m compares to the calculated value in use amount of €371m.

Notes Forming Part of the Consolidated and Company Financial Statements continued

11 Goodwill continued

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

	1-5 Year growth rate	Gross margin	Operating expense growth	Effective tax rate
Experience in 2017	15%	36.4%	1%	20.5%
Assumptions used	**10%**	**36.4%**	**6%**	**20%**
Change in each assumption that would bring the recoverable amount to the carrying amount	(12%)	(12%)	16%	51%

Note: Each change noted, which is a reduction or increase on the assumption used, was calculated keeping all other assumptions stable.

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 of 2% has been used to determine a terminal value for the CGU.

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

12 Intangible Assets – Customer Relationships

	€'000
Cost	
At 1 January 2016	5,132
Additions	6,509
Revaluation on exchange rate movement	(11)
At 31 December 2016	**11,630**
Recognition on acquisition of subsidiaries	18,962
Exchange rate movement	(1,310)
At 31 December 2017	**29,282**
Amortisation and impairment	
At 1 January 2016	1,350
Amortisation charge	1,629
Revaluation on exchange rate movement	(45)
At 31 December 2016	**2,934**
Amortisation charge	3,038
Exchange rate movement	(238)
At 31 December 2017	**5,734**
Net book value	
At 31 December 2016	8,696
At 31 December 2017	**23,548**

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

13 Property, Plant and Equipment

	Computers and software €'000	Office, furniture and equipment €'000	Leasehold improvements €'000	Total €'000
Cost				
At 1 January 2016	6,253	2,319	855	9,427
Currency revaluation	131	99	80	310
Additions	1,370	597	376	2,342
Acquisitions through business combinations at fair value	798	145	416	1,359
Disposals	(67)	(2)	(3)	(73)
At 31 December 2016	**8,485**	**3,158**	**1,724**	**13,367**
Currency revaluation	**(685)**	**(216)**	**(222)**	**(1,123)**
Additions	**2,514**	**772**	**601**	**3,887**
Acquisitions through business combinations at fair value	**2,214**	**603**	**1,350**	**4,167**
Disposals	**(54)**	**(1)**	**(29)**	**(84)**
At 31 December 2017	**12,474**	**4,316**	**3,424**	**20,214**
Accumulated depreciation				
At 1 January 2016	4,669	1,136	136	5,941
Currency revaluation	(73)	225	18	170
Depreciation charge	1,205	429	169	1,803
Disposals	(45)	–	–	(45)
At 31 December 2016	**5,756**	**1,790**	**323**	**7,869**
Currency revaluation	**(293)**	**(111)**	**(72)**	**(476)**
Depreciation charge	**1,795**	**543**	**392**	**2,730**
Disposals	**(6)**	**–**	**(14)**	**(20)**
At 31 December 2017	**7,252**	**2,222**	**629**	**10,103**
Net book value				
As at 31 December 2016	2,729	1,368	1,401	5,498
At 31 December 2017	**5,222**	**2,094**	**2,795**	**10,111**

14 Trade Receivables

	2017 €'000	2016 €'000
Group		
Customers	**27,891**	14,347
Provision for bad debts	**(418)**	(468)
	27,473	13,879

15 Other Receivables

	As of 31 December	
	2017 €'000	2016 €'000
Group		
Accrued Income	**5,140**	1,661
Prepayments	**3,255**	1,769
Other receivables	**3,958**	994
Multimedia tax credits, Canada	**10,016**	3,008
Other tax and social security	**(34)**	346
	22,335	7,778

Notes Forming Part of the Consolidated and Company Financial Statements continued

15 Other Receivables continued

Company Short-term

	2017 €'000	2016 €'000
Intercompany receivables (note 22)	**129,056**	21,398
Accrued income	**–**	24
Prepayments	**45**	81
Other receivables	**52**	585
	129,153	22,088

Company Long-term

	2017 €'000	2016 €'000
Intercompany receivable	**3,300**	4,243
	3,300	4,243

16 Shareholder's Equity

Share Capital

	Shares	€'000
As at 1 January 2016	53,837,697	646
Ordinary shares of £0.01 issued on acquisition of remaining 50% of Kite Team shares	55,508	1
Ordinary shares of £0.01 issued on acquisition of Volta	45,192	1
Exercise of Numis warrants	400,324	4
Ordinary shares of £0.01 issued on acquisition of Player Research	65,280	1
Ordinary shares of £0.01 issued on acquisition of Sonox	24,881	1
As at 31 December 2016	**54,428,882**	**654**
Ordinary shares of £0.01 each issued on the first anniversary of the acquisition of Synthesis	1,188,253	14
Ordinary shares of £0.01 issued on acquisition of Xloc	19,134	–
Ordinary shares of £0.01 issued on acquisition of GameSim	151,725	2
Ordinary shares of £0.01 issued on acquisition of asrec	9,534	–
Ordinary shares of £0.01 issued on acquisition of d3t	42,368	–
Ordinary shares of £0.01 issued on acquisition of LOLA	10,106	–
Placing of ordinary shares of £0.01 on the market	5,357,143	61
Issue of shares on exercise of share options	501,060	6
As at December 2017	**61,708,205**	**737**

On 13 April 2017 the Group issued 1,188,253 of 1p shares at a value of 798p (€9.40) as part of the consideration for Synthesis.

On 10 May 2017, the Group issued 19,134 of 1p shares at a value of 796p (€9.47) which formed the part of the consideration for the acquisition of Xloc.

On 17 May 2017, the Group issued 151,725 of 1p shares at a value of 792p (€9.20) which formed the part of the consideration for the acquisition of GameSim.

On 4 August 2017, the Group issued 9,534 of 1p shares at a value of 1185p (€13.12) which formed the part of the consideration for the acquisition of the three French acquisitions.

On 19 October 2017, the Group issued 42,368 of 1p shares at a value of 1416p (€15.89) which formed the part of the consideration for the acquisition of d3t.

On 15 December 2017, the Group issued 10,106 of 1p shares at a value of 1461p (€16.56) which formed the part of the consideration for the acquisition of LOLA.

On 24 October 2017, a total of 5,357,143 new ordinary 1p shares were successfully placed on the market at a value of 1400p (€15.62), raising proceeds of over €83m before charges.

On 1 September 2017 made a block admission in respect of 1,112,561 of 1p shares, to be issued pursuant to exercises of options under the Company's employee share incentive and option plans. During the year 501,060 of 1p shares were issued on the exercise of options by employees.

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

Shares held by the Employee Benefit Trust ("EBT")

	2017 Number	2017 €'000	2016 Number	2016 €'000
Ordinary shares held by the EBT	**335,425**	**1,997**	399,026	1,434

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.
Shares to be issued	For deferred consideration which is to be provided for by the issue of a fixed number of shares at a future defined date, where there is no obligation on Keywords to offer a variable number of shares, the deferred consideration is to be classified as an Equity Arrangement and the value of the shares is fixed at the date of the acquisition.
Merger reserve	The merger reserve was initially created following the Group reconstruction, when Keywords Studios PLC acquired the Keywords International Limited Group of companies. When the Group uses Keywords Studios PLC shares as the 100% consideration for the acquisition of an entity, the value of the shares in excess of the nominal value, net of share issuance costs are also recorded within this reserve, in line with S612 of the 2006 UK Companies Act.
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.

17 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:

	2017 €'000	2016 €'000
Share Option Scheme expense	**178**	208
Share Option Scheme – LTIP expense	**1,248**	478
	1,426	686

Of the total share option charge, €141k relates to Directors of the Company as at 31 December 2017 (2016: €45k).

Share Option Scheme

Share options are granted to Executive Directors and to permanent employees. The exercise price of the granted options is equal to 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:

	2017 Average exercise price in £ per share	2017 Number of options	2016 Average exercise price in £ per share	2016 Number of options
Outstanding at the beginning of the period	**1.58**	**1,672,056**	1.20	1,642,242
Granted	**7.76**	**282,000**	2.45	223,200
Lapsed	**3.56**	**(30,000)**	1.67	(44,547)
Exercised	**1.35**	**(548,855)**	1.31	(148,839)
Outstanding at the end of the period	**2.79**	**1,375,201**	1.58	1,672,056
Exercisable at the end of the period	**1.30**	**515,296**	1.38	522,035
Weighted average share price at date of exercise	**12.32**		3.27	

Notes Forming Part of the Consolidated and Company Financial Statements continued

17 Share Options continued

Summary by share option arrangement

Date of option	12 Jul 2013	01 Jun 2015	10 May 2016	15 May 2017	Total
Exercise price	£1.20	£1.58	£2.54	£7.76	–
Outstanding at the beginning of the period	465,396	1,016,260	190,400	–	1,672,056
Granted	–	–	–	282,000	282,000
Lapsed	(3,438)	(7,236)	(10,326)	(9,000)	(30,000)
Exercised in the year	(176,647)	(372,208)	–	–	(548,855)
Outstanding at the end of the period	285,311	636,816	180,074	273,000	1,375,201
Exercisable at 31 December 2017	285,311	229,985	–	–	515,296
Exercisable 2018	–	353,415	60,025	–	413,440
Exercisable 2019	–	53,416	60,025	91,000	204,441
Exercisable 2020	–	–	60,024	91,000	151,024
Exercisable 2021	–	–	–	91,000	91,000

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

Date of option	12 Jul 2013	01 Jun 2015	10 May 2016	15 May 2017	Total
Weighted average share price (£)	£1.23	£1.64	£2.54	£7.74	–
Weighted average exercise price (£)	£1.20	£1.58	£2.54	£7.76	–
Average expected life	3 Years	3 Years	3 Years	3 Years	–
Expected volatility	36.12%	28.03%	27.17%	24.79%	–
Risk-free rates	0.50%	0.90%	0.55%	0.16%	–
Average expected dividends yield	1.00%	0.75%	0.58%	0.21%	–
Weighted average remaining life of options in months	–	5	19	32	11

Expected volatility was determined by reference to KWS volatility. 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.

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.

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

	2017		2016	
	Average exercise price in £ per share	**Number of options**	Average exercise price in £ per share	Number of options
Outstanding at the beginning of the period	**0.01**	**1,443,691**	0.01	860,206
Granted	**0.01**	**696,000**	0.01	720,000
Lapsed	**0.01**	**(47,621)**	0.01	(105,654)
Exercised	**–**	**(115,654)**	0.01	(30,861)
Outstanding at the end of the period	**0.01**	**1,976,416**	0.01	1,443,691
Exercisable at the end of the period	**0.01**	**222,238**	0.01	295,365
Weighted average share price at date of exercise	**13.09**	**–**	2.72	–

Summary by LTIP Arrangement

Date of option	08 Jul 2013	06 Jan 2015	01 Jun 2015	10 May 2016	20 Nov 2016	15 May 2017	Total
Exercise Price	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01
Outstanding at the beginning of the period	345,365	81,526	356,800	630,000	30,000	–	1,443,691
Adjustments	(7,473)	19,534	(12,061)	–	–	–	–
Granted	–	–	–	–	–	696,000	696,000
Lapsed	–	–	(27,621)	(20,000)	–	–	(47,621)
Exercised	(115,654)	–	–	–	–	–	(115,654)
Outstanding at the end of the period	222,238	101,060	317,118	610,000	30,000	696,000	1,976,416
Exercisable at 31 December 2017	222,238	–	–	–	–	–	222,238
Exercisable 2018	–	101,060	317,118	–	–	–	418,178
Exercisable 2019	–	–	–	610,000	–	–	610,000
Exercisable 2020	–	–	–	–	–	696,000	696,000

Date of option	08 Jul 2013	06 Jan 2015	01 Jun 2015	10 May 2016	20 Nov 2016	15 May 2017
Weighted average share price (£)	£1.23	£1.43	£1.64	£2.54	£4.15	£7.74
Weighted average exercise price (£)	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01
Average expected life	3 Years	3 Years	3 Years	3 Years	3 Years	3 Years
Expected volatility	36.12%	31.20%	28.03%	27.17%	23.31%	24.79%
Risk-free rates	0.50%	0.58%	0.90%	0.55%	0.08%	0.16%

	08 Jul 2013	06 Jan 2015	01 Jun 2015	10 May 2016	10 May 2016	15 May 2017	Total
Weighted average remaining life of options in months	–	–	5	16	23	28	16

LTIP's vest on the third anniversary of the grant, if the performance criteria are met.

LTIP's must be exercised before the seventh anniversary of the grant.

"Adjustments" relate to out of cycle changes and updates.

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

Expected volatility was determined by reference to KWS volatility. 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.

18 Other Payables

Group

	2017 €'000	2016 €'000
Current		
Accrued expenses	**15,229**	7,702
Payroll Taxes	**1,530**	542
Other payables	**2,986**	3,927
Contingent consideration	**3,251**	251
Related party payable (note 22)	**9**	9
	23,005	12,431
Non-current		
Other payables	**16**	113
Contingent consideration	**1,217**	1,479
	1,233	1,592

Notes Forming Part of the Consolidated and Company Financial Statements continued

18 Other Payables continued

Company

	2017 €'000	2016 €'000
Current		
Intercompany payable	**174**	70
Accrued expenses	**382**	324
Payroll taxes	**–**	20
Other payables	**51**	–
Contingent consideration	**971**	–
	1,578	414
Non-current		
Contingent consideration	**–**	860
	–	860

19 Employee Defined Benefit Plan

In line with statutory requirements in Italy, the subsidiaries in Milan maintain Employee Defined Benefit schemes. On leaving the Company, each employee is entitled to 1/13.5 of their final salary for each year of service.

At year end, the Group commissioned an actuarial valuation of the related liability, based on salaries, length of service and variables including employee turnover, estimated salary increases and cost of capital.

The liabilities at year end are recorded as long term. The actuarial loss is recorded separately as other comprehensive income. The movements through the year are detailed:

Group

	2017 €'000	2016 €'000
Opening liability position as at 1 January	**826**	590
Service cost	**198**	193
Interest cost	**11**	10
Benefits paid	**(5)**	(30)
Actuarial loss recorded	**25**	63
Closing liability position as at 31 December	**1,055**	826

The Directors have considered the key specific risk factors which the Group faces due to the employee defined benefit plan which is in place. Having fully considered all specific elements of these plans the Directors believe that the key issues faced are as follows:

- The plan is currently 100% unfunded, there are no specific assets to meet the future liabilities as they fall due. As such there will be a significant cash flow impact as the liabilities must be met with current working capital as they fall due.

The Group has taken no specific actions to mitigate against these factors as due to the long-term nature of the plans it is expected that there will be no sudden financial impact on the Groups results caused by any of these factors.

In 2017, the Group expects the costs of the employee benefit plan to be in line with current year levels, as staff levels in the Italian operations stay stable.

The actuarial valuation is based on the Projected Unit Credit Method, in line with IAS 19.

	2017 €'000	2016 €'000
Actuarial valuations		
Defined benefit obligations	**1,055**	826
Current concern provision	**842**	654
Current concern provision surplus/(deficit)	**(213)**	(172)
Value of accrued benefits	**4,033**	3,318
Future service liability	**2,977**	2,492
Cost for year		
Service cost	**199**	193
Interest cost	**11**	10
Actuarial loss	**25**	63
	235	266
Actuarial losses		
Change due to experience	**17**	30
Change due to demographical assumptions	**30**	5
Change due to financial assumptions	**(22)**	28
	25	63

Assumptions Underlying the Actuarial Valuations and Sensitivities of the Assumptions

For the actuarial valuations the following demographic and economic and financial assumptions were applied:

Demographic Assumptions

- The probabilities of death were derived from the bill of the Italian population by age and sex, as recorded by the Government Statistics Office in 2000 and reduced by 25%.
- The probabilities of elimination for absolute and permanent disability of the employee are taken from the disability tables currently used in practice separate reinsurance for age and sex.
- The probabilities of employees leaving due to resignations and dismissals in accordance with Company management have been placed at 4.25% per annum.
- The probabilities of requesting an advance have been estimated on the basis of Company history 2010 to 2017, and placed equal to 2.19% per annum with an average rate of advance equal to 61.99%.
- For retirement for the general working population, it is assumed that the first of the pension requirements is valid for the mandatory general insurance.

	2017	2016
Economic and financial assumptions		
Salary increase	**2.76%**	2.50%
Inflation	**1.70%**	1.73%
Discount rate	**1.54%**	1.29%
Key statistics		
Staff number	**98**	97
Average age	**39.28**	38.2
Average service	**4.50**	3.6
Average defined benefit per staff	**8,595**	6,745
Average salary for defined benefit	**34,438**	31,723

Notes Forming Part of the Consolidated and Company Financial Statements continued

19 Employee Defined Benefit Plan continued

	2017 €'000	2016 €'000
Actuarial losses		
Change due to experience	**17**	30
Change due to demographical assumption	**30**	5
Change due to financial assumption	**(22)**	28
Actuarial losses	**25**	63

Interest rate sensitivities		
-0.50%	**1,136**	882
0.50%	**983**	776
Mortality rate sensitivities		
-0.025%	**1,056**	827
0.025%	**1,055**	782
Staff turn over rate sensitivities		
-0.50%	**1,067**	835
0.50%	**1,045**	818
Staff salary increases rate sensitivities		
-0.50%	**1,029**	808
0.50%	**1,084**	845

20 Loans and Borrowings

Group

	2017 €'000	2016 €'000
Expiry within one year	**18,943**	8,025
Expiry between one and two years	**31**	55
Expiry over two years	**306**	290
	19,280	8,370

The Company entered into a loan agreement with Barclays Bank. The agreement allows financing up to €25m. At year end, €18.3m was drawn down.

The Group also took on loans on the acquisition of Enzyme of CAD $0.5m/€0.4m (2016 $0.5m/€0.4m) and Sperasoft US $0.7m/€0.6m.

The currencies of these loans are as follows:

Group

	2017 €'000	2016 €'000
Euro	**18,301**	8,000
Canadian Dollars	**347**	370
US Dollars	**632**	–
	19,280	8,370

Company

	2017 €'000	2016 €'000
Expiry within one year	**18,250**	8,000
Expiry between one and two years	**–**	–
Expiry over two years	**–**	–
	18,250	8,000

21 Investment in Subsidiaries

Company

	2017 €'000	2016 €'000
	30,659	30,659

The results and financial position of all the subsidiaries are included in the consolidated statements.

Details of the Company and Group's subsidiaries as at 31 December 2017 are set out below:

Name	Country of incorporation	Date of incorporation/ acquisition	Proportion of voting rights and ordinary share capital held	Registered office
Keywords International Limited	Ireland	13/05/1998	100%	Whelan House, South County Business Park, Dublin 18
Keywords International Co. Limited	Japan	30/11/2010	100%	2F Toshin Building, 4-33-10 Yoyogi, Shibuya-ku, Tokyo 151-0053, Japan
Keywords International Corporation inc	Canada	22/12/2010	100%	1751 Richardson, suite 8400, Montréal, Québec, Canada H3K1G6
Keywords International Inc	USA	26/09/2012	100%	18300 Redmond Way, Suite 120, Redmond, WA 98052
KW Studios Limited	United Kingdom	29/05/2013	100%	8 Clifford Street London W1S 2LQ
Liquid Violet Limited	United Kingdom	15/01/2014	100%	Flr 2, 59 Lansdowne Place Hove, East Sussex, BN3 1FL, London, UK
Babel Media Limited	United Kingdom	17/02/2014	100%	Fifth Floor, 6 St. Andrew Street, London, EC4A 3AE, UK
Babel Games Services Inc	Canada	17/02/2014	100%	1751 Richardson, suite 8400, Montréal, Québec, Canada H3K1G6
Babel Media India Private limited	India	17/02/2014	100%	3rd floor, Vardhman Orchard Plaza, Plot No 4, LSC, West Enclave, Pitampura, New Delhi, 110034, India
Babel Media USA Inc	USA	17/02/2014	100%	1751 Richardson Office 8400, Montreal, Canada, H3K 1G6
Keywords International Pte. Limited	Singapore	24/04/2014	100%	20 Kallang Avenue, #06-6A, Lobby B, Pico Creative Centre, Singapore 339411
Binari Sonori SRL	Italy	08/05/2014	100%	Viale G.Frua 24, Milano, MI 20146, Italy
Binari Sonori Inc	USA	08/05/2014	100%	350 N. Glenoaks Blvd., Suite 305, Burbank, CA 91502, USA
Binari Sonori Audio Productions LLC	USA	08/05/2014	100%	350 N. Glenoaks Blvd., Suite 305, Burbank, CA 91502, USA
Lakshya Digital Private Limited	India	10/10/2014	100%	3rd floor, Vardhman Orchard Plaza, Plot No 4,LSC, West Enclave, Pitampura, New Delhi, 110034
Lakshya Digital Singapore Pte Ltd	Singapore	10/10/2014	100%	20 Kallang Avenue, #06-6A, Lobby B, Pico Creative Centre, Singapore 339411
Edugames Solutions Private Limites	India	10/10/2014	100%	D – 3/C, Munirka Flats, New Delhi – 110067
Alchemic Dream Inc	Canada	06/01/2015	100%	1751 Richardson, suite 8400, Montréal, Québec, Canada H3K1G6
Keywords International Barcelona SL	Spain	09/01/2015	100%	Passeig de Gràcia 49, 1er2a, 08007 Barcelona, Catalonia, Spain
Reverb Localizacao – Prearacao de Documentos Ltda	Brazil	18/01/2015	100%	Av. Churchill, 109 – Sala 204 – Centro, Rio de Janeiro-RJ, Brazil CEP: 20020-050
Keywords (Shanghai) Information Technology	China	02/04/2015	100%	142 Room, Building 7, No.311 Jin Gao Road, Pudong New District, Shanghai
Kite Team SL	Spain	16/07/2015	100%	Julián Camarillo 6A, 3B, 28037 Madrid, Spain
Kite Team Mex S. de R.L. de. CV	Mexico	16/07/2015	100%	Av. Insurgentes Sur 1853, Guadalupe Inn, 01020 Ciudad de México, CDMX Mexico
Liquid Development LLC	USA	20/08/2015	100%	411 SW 2nd Ave #300, Portland, OR 97204, USA
Ankama Asia Pte. Ltd	Philippines	22/03/2016	100%	12F JMT Corporate Condominium, ADB Ave., Ortigas CBD, Pasig City
Synthesis Global Solutions	Switzerland	12/04/2016	100%	Via Landriani 7, 6900 Lugano, Ticino, Switzerland
Synthesis Deutschland	Germany	12/04/2016	100%	Holstenkamp 46 A, Bahrenfeld, 22525 Hamburg, Germany
Sillabit S.R.L	Italy	12/04/2016	100%	Corso Martiri 31, 23900 Lecco, Lombardia, Italy
Keywords International SAS	France	08/06/2016	100%	15 Rue de la Baume – 75008 Paris, France

Notes Forming Part of the Consolidated and Company Financial Statements continued

21 Investment in Subsidiaries continued

Name	Country of incorporation	Date of incorporation/ acquisition	Proportion of voting rights and ordinary share capital held	Registered office
Volta Creation Inc	Canada	28/07/2016	100%	410 Charest Est, Suite 410, Quebec QC, Canada G1K 8G3
Player Research	United Kingdom	26/10/2016	100%	Claremont House, 95 Queens Road, BN1 3XE, Brighton, UK
Global Video-Games Services Inc., trading as Enzyme Testing Labs	Canada	16/11/2016	100%	2031 Boulevard du Curé-Labelle, Saint-Jérôme (Québec) J7Y1S5, Canada
Global Video Game Service Europe SARL	France	16/11/2016	100%	166, Boulevard du Montparnasse, 75014 Paris, France
Spov Ltd	United Kingdom	17/02/2017	100%	Studio 11 The Premises, 205-209 Hackney Rd, London E2 8JL, UK
XLOC Inc	USA	10/05/2017	100%	712 Presnell Court, Raleigh, NC 27615-1240, USA
GameSim Inc.	USA	17/05/2017	100%	12000 Research Parkway, Suite 436, Orlando, FL 32826, USA
Strongbox Ltd	Seychelles	22/05/2017	100%	Suites 103, 106 and 107 Premier Building, Victoria, Mahe, Seychelles
Eastern New Media Limited	Hong Kong	22/05/2017	100%	Flat/Rm 4304, 43F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
Red Hot Software (Shanghai) Ltd.	China	22/05/2017	100%	Dong Tu Yu Hiu Road #860, Building 5, 4th Floor, Shanghai
Red Hot Software (Zhengzhou) Ltd.	China	22/05/2017	100%	Room 207, 11th Floor, Building No. 3, No. 57 Ke Xue Da Dao, Zheng Zhou, He Nan, China
PT Limitless Indonesia	Indonesia	22/05/2017	100%	Jl. Timoho II, No. 32, Yogyakarta,
asrec SAS	France	28/07/2017	100%	20, Rue de la Folie-Méricourt, 75011 Paris
Le Marque Rose SARL	France	04/08/2018	100%	11, Rue Torricelli, 75017 Paris
Dune Sound SAS	France	28/07/2017	100%	59 Boulevard Exelmans, 75016 Paris
Around the Word SAS	France	28/07/2017	100%	59 Boulevard Exelmans, 75016 Paris
Around the Word GmbH	Germany	28/07/2017	100%	Rosenstrasse 2, D-10178 Berlin
Around the Word Canada Ltd	Canada	28/07/2017	100%	338 Saint-Antoine, bureau 207, Montréal, Canada
d3t Ltd	United Kingdom	19/10/2017	100%	Drake House, Gadbrook Park, Northwich, Cheshire, CW9 7RA
Keywords US Holdings Ltd	USA	27/10/2017	100%	1209 Orange Street, Wilmington, New Castle County, Delaware 19801, USA.
VMC Consulting Corporation	USA	27/10/2017	100%	11611 Willows Road NE, Redmond, WA 98052, United States of America
Volt Canada Inc.	Canada	27/10/2017	100%	1751 Richardson Street Suite 8400 Montreal QC H3K 1G6 Canada
VMC Volt Information Sciences BC, Inc.	Canada	27/10/2017	100%	1700-1075 West Georgia Street, Vancouver, BC, V6E 3C9
Sperasoft Inc.	USA	13/12/2017	100%	2033 Gateway Place Suite 500 San Jose, CA 95110
Sperasoft Poland Spólka z.o.o.	Poland	13/12/2017	100%	Ul. Na Kozłówce 27, 30-664 Kraków, Poland
Sperasoft Studio LLC	Russia	13/12/2017	100%	5 Kievskaya Str., Bld. 4, St. Petersburg, 196084

22 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 2017, P.E.Q. Holdings Limited owned 6.5% (2016: 14.6%) 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

	2017 €'000	2016 €'000
Operating expenses		
Canteen charges	**57**	53
	57	53

The following are year-end balances:

	2017 €'000	2016 €'000
Italicatessen Limited	**9**	9
	9	9

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.

	2017 €'000	2016 €'000
Operating expenses		
Rental payment	**22**	22
	22	22

The details of key management compensation (being the remuneration of the Directors) are set out in note 10.

As at 31 December 2017 and 2016, the Company had amounts receivable from its subsidiaries, amounting to €14,624k (2016: €13,519k) relating to intergroup trading activities.

As at 31 December 2017 and 2016, the Company had amounts receivable from its subsidiaries, amounting to €117,732k (2016: €12,122k) relating to investments in relation to acquisitions.

23 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.

The ageing of trade 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 2017	**27,473**	**16,713**	**9,126**	**1,634**
As at 31 December 2016	13,879	12,877	907	95

The above balances relate to customers with no default history.

Notes Forming Part of the Consolidated and Company Financial Statements continued

23 Financial Instruments and Risk Management continued

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

	2017 €'000	2016 €'000
Provision at the beginning of the year	**468**	306
Charged to income statement	**3**	188
Utilised	**(53)**	(26)
Provision at end of the year	**418**	468

Related party receivables of €nil were past due at 31 December 2017 (2016: €Nil).

Company

Intercompany trade receivables of €14,624k were not past due at 31 December 2017 (2016: €13,519k).

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
United States Dollar to Euro	2,363	(2,363)
Canadian Dollar to Euro	1,267	(1,267)
Sterling to Euro	620	(620)

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 2017	Total €'000	Within 1 year €'000	1-2 years €'000	2-5 years €'000
Trade payables	**7,310**	**7,310**	**–**	**–**
Contingent consideration	**4,468**	**3,251**	**1,217**	**–**
Other accounts payable	**19,770**	**19,754**	**16**	**–**
Loans and borrowings	**19,280**	**18,943**	**31**	**306**

Year ended 31 December 2016	Total €'000	Within 1 year €'000	1-2 years €'000	2-5 years €'000
Trade payables	4,822	4,822	–	–
Contingent consideration	1,730	251	1,479	–
Other accounts payable	12,293	12,238	55	–
Loans and borrowings	8,370	8,025	55	290

Company

Year ended 31 December 2017	**Total €'000**	**Within 1 year €'000**	**1-2 years €'000**	**2-5 years €'000**
Trade payables	**215**	**215**	**–**	**–**
Contingent consideration	**971**	**971**	**–**	**–**
Other payables	**607**	**607**	**–**	**–**
Loans and borrowings	**18,250**	**392**	**–**	**–**

Year ended 31 December 2016	Total €'000	Within 1 year €'000	1-2 years €'000	2-5 years €'000
Trade payables	175	175	–	–
Contingent consideration	860	–	860	–
Other payables	414	414	–	–
Loans and borrowings	8,000	8,000	–	–

Contingent considerations at 31 December 2017 have arisen on business combinations. They are based on set amounts to be paid in the future to sellers under the purchase agreements.

24 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 two to five years and some have break clauses.

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

Group

	2017 €'000	2016 €'000
Not later than one year	**4,561**	2,318
Later than one year and not later than five years	**10,708**	6,031
Later than five years	**4,793**	903
	20,062	9,252

25 Finance Lease Commitments

The Group has leased computer equipment and office telephone systems. 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

	Minimum lease payments €'000	**Interest**	**Present value**
2017			
Not later than one year	**25**	**1**	**24**
Later than one year and not later than five years	**20**	**4**	**16**
Later than five years	**–**	**–**	**–**
	45	**5**	**40**
2016			
Not later than one year	31	2	29
Later than one year and not later than five years	18	1	17
Later than five years	–	–	–
	49	3	46

Notes Forming Part of the Consolidated and Company Financial Statements continued

26 Deferred Tax

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

	Asset 2017 €'000	Liability 2017 €'000	Net 2017 €'000	Credited to profit or loss 2017 €'000
Accelerated capital allowances	**–**	**1**	**(1)**	**1**
Personal severance indemnity	**32**	**–**	**32**	**(2)**
Available losses	**237**	**–**	**237**	**(162)**
Rent-free inducement	**17**	**–**	**17**	**13**
Fixed asset excess of tax over accounting	**258**	**139**	**119**	**(33)**
Deferred tax related to multimedia tax credits	**–**	**2,284**	**(2,284)**	**132**
Other temporary and deductible differences	**581**	**112**	**469**	**(225)**
Deferred tax arising on intangibles	**81**	**5,259**	**(5,178)**	**(700)**
Net tax assets/(liabilities)	**1,206**	**7,795**	**(6,589)**	**(976)**
Change in tax rate	**–**	**–**	**–**	**(149)**
Prior year over/(under) provision	**–**	**–**	**–**	**94**
Total deferred tax asset/(liability)	**–**	**–**	**–**	**(1,031)**

	Asset 2016 €'000	Liability 2016 €'000	Net 2016 €'000	Credited to profit or loss 2016 €'000
Accelerated capital allowances	–	9	(9)	4
Personal severance indemnity	109	–	109	100
Available losses	44	–	44	(243)
Rent-free inducement	–	116	(116)	(66)
Fixed asset excess of tax over accounting	173	3	170	42
Deferred tax related to multimedia tax credits	5	796	(791)	501
Other temporary and deductible differences	300	19	281	(88)
Deferred tax arising on intangibles	249	2,310	(2,061)	459
Net tax assets/(liabilities)	880	3,253	(2,373)	709

27 Non-Controlling Interest

	2017 €'000	2016 €'000
Opening balance	**–**	(1,309)
Liabilities of Kite Team attributable to shareholder at the acquisition date	**–**	–
Loss of Kite team attributable to the shareholders of the Group	**–**	(61)
Contingent consideration for the purchase of the remaining 50% of Kite Team	**–**	–
Settlement of non-controlling interest	**–**	1,370
	–	–

Keywords International Limited acquired 50% of the issued share capital of Kite Team in 2015, a company registered in Spain.

In March 2016, Keywords International Limited acquired the remaining 50% of shares in Kite Team. The settlement value was €1,370,000; comprising the settlement of the put and call option of €1,150,000 through €1,000,000 in cash and €150,000 in KWS shares, plus €220,000 transfer of losses from Minority Interest.

28 Acquisitions Completed in the Current Year

Acquisition of Spov Ltd

On 17 February 2017 the Group acquired the entire issued share capital of Spov Ltd ("Spov") a company registered in the UK, which specialises in providing creative development, cinematics, UI, visual effects and motion graphics services to the video game and film markets. The acquisition will further complement Keywords range of customer service offerings to customers with online and mobile games.

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

Spov Ltd

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Property, plant and equipment	30	–	30
Trade and other receivable	16	–	16
Trade and other payables	(139)	–	(139)
Total identifiable assets	(93)	–	(93)
Goodwill			491
Total consideration			398

Satisfied by:	
Cash	351
Deferred consideration	47
	398

Net cash outflow arising on acquisition	
Cash	351

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

The deferred considerations is a guaranteed amount.

In the opening set up period, Spov contributed €207,920 revenue and €203,313 loss 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, total revenue for the six months of €212,258 would have been contributed to the Group, and a corresponding loss before tax of €213,419.

Acquisition costs of €9k have been charged through the Statement of Comprehensive Income.

Notes Forming Part of the Consolidated and Company Financial Statements continued

28 Acquisitions Completed in the Current Year continued

Acquisition of XLOC

On 10 May 2017 the Group acquired the entire issued share capital of XLOC Inc ("XLOC"), a company registered in Raleigh, North Carolina, USA. XLOC has developed the leading web-based integrated globalisation content management system for videogames (XLOC), supported by consulting and customisation services. The acquisition of XLOC is in line with Keywords Studios' strategy to extend its services, with the objective of providing end to end services to its global client base covering all aspects of game production and live operations support.

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

XLOC

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Property, plant and equipment	7	–	7
Identifiable intangible assets – IP	–	147	147
Trade and other receivables	33	–	33
Cash and cash equivalents	120	–	120
Trade and other payables	(73)	–	(73)
Deferred tax liabilities	–	(59)	(59)
Total identifiable assets	87	88	175
Goodwill			652
Total consideration			827
Satisfied by:			
Cash			643
Equity Instruments (19,134 shares of the parent company)			184
Total consideration			827
Net cash outflow arising on acquisition			
Cash			643
Less: cash and cash equivalent balances transferred			(120)
			523

The main factors leading to the recognition of goodwill on the acquisition of XLOC are the presence of certain intangible assets in the acquired entity, which are not valued for separate recognition, such as the expertise in localisation processes and reputation within the industry.

XLOC contributed €236,376 revenue and €114,475 loss 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 for the year to 31 December 2017 of €479,446 would have been contributed to the Group and €32,312 loss before tax.

Acquisition costs of €9k have been charged through to the Statement of Comprehensive Income.

Acquisition of GameSim

On 17 May 2017 the Group acquired the entire issued share capital of GameSim Inc ("GameSim") a company registered in Orlando, Florida, USA. GameSim specialise in outsourced engineering services and technology platforms for the video games industry and other virtual simulation applications. The acquisition is in line with its strategy of growing, both organically and by acquisition, to extend the Group's client base, market penetration or service lines, where the Group can leverage 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:

GameSim

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Property, plant and equipment	13	–	13
Identifiable intangible assets – customer relationships	–	–	–
Trade and other receivables	768	–	768
Cash and cash equivalents	26	–	26
Trade and other payables	(353)	–	(353)
Total identifiable assets	454	–	454
Goodwill			3,828
Total consideration			4,282
Satisfied by:			
Cash			2,888
Equity Instruments (151,725 shares of the parent company)			1,394
Total consideration transferred			4,282
Net cash outflow arising on acquisition			
Cash			2,888
Less: cash and cash equivalent balances transferred			(26)
			2,862

The main factors leading to recognition of goodwill on the acquisition of GameSim are the presence of certain intangible assets in the acquired entity, which are not valued for separate recognition, such as the expertise in simulation technology for the Games Industry and reputation.

GameSim contributed €2,266,180 revenue and €397,213 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 for the year to 31 December 2017 of €3,798,549 would have been contributed to the Group and €461,541 profit before tax.

Acquisition costs of €3k have been charged through to the Comprehensive Income Statement.

Acquisition of Red Hot

On 22 May 2017 the Group acquired the entire issued share capital of Strongbox Ltd, a holding company with subsidiaries in China and Indonesia trading under the Red Hot CG ("Red Hot"). Red Hot are specialists in the production of graphical art assets for video games.

The acquisition of Red Hot is in line with Keywords' strategy of growing both organically and by acquisition. It will increase the capacity of Keywords' fast-growing and higher margin Art Service Line, as well as bringing a number of attractive new clients to the art business at Keywords.

Notes Forming Part of the Consolidated and Company Financial Statements continued

28 Acquisitions Completed in the Current Year continued

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

Red Hot

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Property, plant and equipment	230	–	230
Identifiable intangible assets – customer relationships	–	1,465	1,465
Trade and other receivable	975	–	975
Cash and cash equivalents	584	–	584
Trade and other payables	(356)	–	(356)
Corporation tax	(64)	–	(64)
Deferred tax liabilities	–	(366)	(366)
Total identifiable assets	1,369	1,099	2,468
Goodwill			2,513
Total consideration			4,981
Satisfied by:			
Cash			3,514
Shares to be issued			1,468
			4,981
Net cash outflow arising on acquisition			
Cash			3,514
Less: cash and cash equivalent balances transferred			(584)
			2,930

The main factors leading to recognition of goodwill on the acquisition of Red Hot are the presence of certain intangible assets in the acquired entity, broader access to the Chinese pool of video game art talent, which is the largest in the world, and expertise in Art service for the Games Industry and reputation.

A fixed amount of 160,842 shares in Keywords Studio PLC will be issued as part of the deferred consideration. The shares have been valued at the share price at the date of acquisition, €9.12, and €1,467,580 has been recorded as shares to be Issued within equity, in accordance with IAS 32.16.

Red Hot contributed €3,979,753 revenue and €848,152 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 for the year to 31 December 2017 of €6,245,933 would have been contributed to the Group and €1,152,760 profit before tax.

Acquisition costs of €70k have been charged through to the Comprehensive Income Statement.

Acquisitions of asrec, Le Marque Rose and Around the Word
Between 28 July and on 4 August, the Company acquired the entire issued share capital of La Marque Rose SARL, asrec SAS and the subsidiary companies of holding company, Dune Media SAS, trading as Dune Sound and Around the Word, which are all based in Paris and provide audio recording and localisation services to the video games industry internationally.

The acquisitions are in line with the Keywords' strategy of consolidating our leading position in the highly fragmented video games services industry and generating synergies through scale in certain services and geographies.

The amounts recognised in respect of the identifiable assets acquired and liabilities, for each of the acquisitions, are set out in the table below:

asrec

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Property, plant and equipment	123	–	123
Identifiable intangible assets – customer relationships	–	–	–
Trade and other receivable	49	–	49
Cash and cash equivalents	76	–	76
Trade and other payables	(115)	–	(115)
Deferred tax liabilities	–	–	–
Total identifiable assets	133	–	133
Goodwill			577
Total consideration			710
Satisfied by:			
Cash			610
Equity Instruments (9,534 shares of the parent company)			100
			710
Net cash outflow arising on acquisition			
Cash			610
Less: cash and cash equivalent balances transferred			(76)
			534

Le Marque Rose

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Property, plant and equipment	148	–	148
Identifiable intangible assets – customer relationships	–	–	–
Trade and other receivable	598	–	598
Cash and cash equivalents	494	–	494
Trade and other payables	(504)	–	(504)
Deferred tax liabilities	–	–	–
Total identifiable assets	736	–	736
Goodwill			1,293
Total consideration			2,029
Satisfied by:			
Cash			2,029
Net cash outflow arising on acquisition			
Cash			2,029
Less: cash and cash equivalent balances transferred			(494)
			1,535

Notes Forming Part of the Consolidated and Company Financial Statements continued

28 Acquisitions Completed in the Current Year continued

Around the Word

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Property, plant and equipment	342	–	342
Identifiable intangible assets – customer relationships	–	651	651
Trade and other receivable	2,142	–	2,142
Cash and cash equivalents	497	–	497
Trade and other payables	(2,067)	–	(2,067)
Deferred tax liabilities	–	(217)	(217)
Total identifiable assets	914	434	1,348
Goodwill			3,495
Total consideration			4,843

Satisfied by:	
Cash	2,500
Deferred cash	1,543
Shares to be issued (66,262 shares of the parent company)	800
	4,843

Net cash outflow arising on acquisition	
Cash	2,500
Less: cash and cash equivalent balances transferred	(497)
	2,003

The main factors leading to recognition of goodwill on the acquisition of the French entities are the presence of certain intangible assets in the acquired entity, including an expertise in Audio service for the Games Industry and reputation. These acquisitions will allow Keywords to consolidate the leading providers of audio and localisation services in French which, together with German, remain the most important localised languages for games.

The deferred cash consideration elements of the Around The Word consideration are payable over three tranches. The first tranche is a payable on satisfaction of a working capital requirement at 31 December 2017, which has been met. The second and third tranches are payable on set EBITDA percentage requirements on set revenue targets. Based on trading to date, and on current projections, it is expected that this consideration will be paid in full.

A fixed amount of 66,262 shares in Keywords Studio PLC will be issued as part of the deferred consideration. The shares have been valued at the share price at the date of acquisition, €12.07, and €800,000 has been recorded as shares to be issued within equity, in accordance with IAS 32.16.

These French acquisitions contributed €3,773,273 revenue and €644,655 profit before tax to the Group between the dates of acquisition and the balance sheet date. If the acquisitions had been completed on the first day of the financial year, revenue for the year to 31 December 2017 of €9,532,853 would have been contributed to the Group and €148,936 profit before tax.

Acquisition costs of €435k have been charged through to the Comprehensive Income Statement.

Acquisition of d3t
On 19 October 2017 the Group acquired the entire issued share capital of d3t, a UK company. d3t delivers premium quality outsourced software development services for video game developers and publishers internationally.

The acquisition of d3t is in line with Keywords Studios' strategy to grow organically and by acquisition as it selectively consolidates the highly fragmented market for video game services. d3t brings additional skills, client relationships and geographic reach to Keywords, extending the strength and scale of its recently established Engineering service line.

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

d3t

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Property, plant and equipment	188	–	188
Identifiable intangible assets – customer relationships	–	–	–
Trade and other receivable	602	–	602
Cash and cash equivalents	802	–	802
Trade and other payables	(678)	–	(678)
Deferred tax liabilities	–	–	–
Total identifiable assets	914	–	914
Goodwill			2,886
Total consideration			3,800
Satisfied by:			
Cash			3,127
Equity Instruments (42,368 shares of the parent company)			673
			3,800
Net cash outflow arising on acquisition			
Cash			3,127
Less: cash and cash equivalent balances transferred			(802)
			2,325

The main factors leading to recognition of goodwill on the acquisition of d3t are the presence of certain intangible assets in the acquired entity, including a software development team with capabilities including HD re-mastering, porting, optimisation, rendering and game systems and reputation within the industry.

d3t contributed €560,231 revenue and €6,938 loss 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 for the year to 31 December 2017 of €3,010,726 would have been contributed to the Group and €113,541 profit before tax.

Acquisition costs of €36k have been charged through to the Comprehensive Income Statement.

Notes Forming Part of the Consolidated and Company Financial Statements continued

28 Acquisitions Completed in the Current Year continued

Acquisition of VMC

On 27 October 2017 the Group acquired the entire issued share capital of VMC Consulting Corporation, a leading provider of Functional Testing and Customer Support in North America, and its affiliates VMC Volt Information Sciences BC and Volt Canada Inc.

The acquisition of VMC is in line with Keywords Studios' strategy to grow organically and by acquisition as it selectively consolidates the highly fragmented market for video game services.

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

VMC

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Property, plant and equipment	1,834	–	1,834
Identifiable intangible assets – customer relationships	–	13,245	13,245
Trade and other receivable	18,255	–	18,255
Cash and cash equivalents	–	–	–
Trade and other payables	(3,192)	–	(3,192)
Corporation tax	(150)	–	(150)
Deferred tax liabilities	(1,408)	(2,781)	(4,189)
Total identifiable assets	15,339	10,464	25,803
Goodwill			32,128
Total consideration			57,931
Satisfied by:			
Cash			57,931
Net cash outflow arising on acquisition			
Cash			57,931
Less: cash and cash equivalent balances transferred			–
			57,931

VMC contributed €7,768,858 revenue and €824,189 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 for the year to 31 December 2017 of €50,345,062 would have been contributed to the Group. The acquisition was a carve-out from a group of existing companies, so the comparable pre-acquisition profit is not easily measurable. It is expected that the comparable profit before tax would have been in the order of 10% of revenues.

Acquisition costs of €1,690k have been charged through to the Comprehensive Income Statement.

Acquisition of Sperasoft

On 13 December 2017 the Group acquired the entire issued share capital of Sperasoft Inc. and Sperasoft LLC. Headquartered in Santa Clara, California, Sperasoft provides game development, art creation and software engineering services to video game developers and publishers around the world from its production studios in St. Petersburg and Volgograd, Russia and Krakow, Poland.

The acquisition of Sperasoft is in line with Keywords Studios' strategy to grow organically and by acquisition as it selectively consolidates the highly-fragmented market for video game services. Sperasoft adds considerable expertise and scale to Keywords new and growing Engineering Services business and adds additional scale to the Art creation business.

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

Sperasoft

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Property, plant and equipment	1,053	–	1,053
Identifiable intangible assets – customer relationships	–	3,454	3,454
Trade and other receivable	2,946	–	2,946
Cash and cash equivalents	587	–	587
Trade and other payables	(2,710)	–	(2,710)
Corporation tax	(86)	–	(86)
Loan	(1,022)	–	(1,022)
Deferred tax liabilities	(46)	(691)	(737)
Total identifiable assets	722	2,763	3,485
Goodwill			18,206
Total consideration			21,691
Satisfied by:			
Cash			16,733
Deferred cash			826
Shares to be issued (252,248 shares of the parent company)			4,132
			21,691
Net cash outflow arising on acquisition			
Cash			16,733
Less: cash and cash equivalent balances transferred			(587)
			16,146

The main factors leading to recognition of goodwill on the acquisition of Sperasoft are the presence of certain intangible assets in the acquired entity, including an expertise in Art and Engineering services for the Games industry and reputation.

The deferred consideration is payable on the first anniversary of completion. This is not contingent on performance of the Company.

A fixed amount of 252,248 shares in Keywords Studio PLC will be issued as part of the deferred consideration. The shares have been valued at the share price at the date of acquisition, €14.26, and €4,132,584 has been recorded as shares to be issued within equity, in accordance with IAS 32.16.

Sperasoft contributed €797,608 revenue and €34,180 loss before tax to the Group between the dates of acquisition and the balance sheet date. If the acquisitions had been completed on the first day of the financial year, revenue for the year to 31 December 2017 of €18,077,846 would have been contributed to the Group and €1,040,698 loss before tax.

Acquisition costs of €82k have been charged through to the Comprehensive Income Statement.

Notes Forming Part of the Consolidated and Company Financial Statements continued

28 Acquisitions Completed in the Current Year continued

Acquisition of LOLA

On 15 December 2017 the Group acquired the assets and business of Localizadora Latam SC ("LOLA") , a Mexican company and a leading provider of Latin American Spanish dubbing, localisation and sound design services for the video game, film and television markets.

The acquisition of LOLA is in line with Keywords Studios' strategy to grow organically and by acquisition as it selectively consolidates the highly fragmented market for video game services.

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

LOLA

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Property, plant and equipment	13	–	13
Identifiable intangible assets – customer relationships	–	–	–
Trade and other receivable	147	–	147
Cash and cash equivalents	43	–	43
Trade and other payables	(118)	–	(118)
Deferred tax liabilities	–	–	–
Total identifiable assets	85	–	85
Goodwill			784
Total consideration			869
Satisfied by:			
Cash			405
Deferred cash			295
Shares to be issued (10,106 shares of the parent company)			169
			869
Net cash outflow arising on acquisition			
Cash			405
Less: cash and cash equivalent balances transferred			(43)
			362

The main factors leading to recognition of goodwill on the acquisition of LOLA are the presence of certain intangible assets in the acquired entity, including expertise in Latin American Spanish dubbing and sound expertise.

The deferred consideration on LOLA is payable based on sales targets. At the reporting date, there is no reason to believe that these targets will not be met.

As the acquisition happened so close to year end, LOLA contributed minimal revenue and 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 for the year to 31 December 2017 of €997,366 would have been contributed to the Group, and €68,136 profit before tax.

Acquisition costs of €2k have been charged through to the Comprehensive Income Statement.

29 Business Combinations Completed in 2016

Acquisition of Ankama Asia Pte Ltd.

On 22 March 2016 the Group acquired the entire issued share capital of Ankama Asia Pte Ltd ("Ankama"), a company registered in Singapore, which specialises in providing services to support the live operations of the games of Ankama France. The Company has a four-year agreement for the continued provision to 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.

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

Ankama

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Identifiable intangible assets – customer relationships	–	44	44
Trade and other receivable	6	–	6
Cash and cash equivalents	120	–	120
Trade and other payables	(81)	–	(81)
Deferred tax liabilities	–	(7)	(7)
Total identifiable assets	45	37	82
Goodwill			214
Total consideration			296

Satisfied by:	
Cash	296
Less: cash and cash equivalent balances transferred	(120)
	176

The intangible assets are to be amortised over their estimated useful lives of five years.

The main factors leading to recognition of goodwill on the acquisition of Ankama Asia Pte Ltd are the presence of intangible assets in the acquired entity which do not value for separate recognition such as the expertise in customer service and an unidentified proportion representing the balance contributing to profit generation.

Ankama Asia Pte Ltd contributed €527,856 revenue and €17,288 loss 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 for 2016 of €540,693 would have been contributed to the Group and loss before tax of €18,022.

Acquisition costs of €39,140 have been charged through the Statement of Comprehensive Income.

Acquisition of Synthesis Group

The Group acquired the business of the Synthesis Group of Companies on 12 April 2016, including:

- 100% of the share capital of Sillabit SRL, a company registered in Italy;
- 100% of the share capital of Synthesis Deutschland GmBH, a company registered in Germany; and
- 100% of the share capital of Synthesis Global Solutions SA (SGSS) a company registered in Switzerland.

The Synthesis Group provide localisation and audio services to some of the leading games publishers and was acquired to extend the Group's client base and global reach.

Notes Forming Part of the Consolidated and Company Financial Statements continued

29 Business Combinations Completed in 2016 continued

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

Synthesis Group

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Property, plant and equipment	236	–	236
Identifiable intangible assets – customer relationships	–	2,774	2,774
Trade and other receivables	1,716	(92)	1,624
Cash and cash equivalents	992	–	992
Trade and other payables	(1,856)	–	(1,856)
Deferred tax asset	–	–	–
Deferred tax liabilities	–	(538)	(538)
Total identifiable assets	1,088	2,144	3,232
Goodwill			14,664
Total consideration			17,896
Satisfied by:			
Cash			10,200
Shares to be Issued			6,906
Deferred consideration			790
Total consideration transferred			17,896
Net cash outflow arising on acquisition			
Cash			10,200
Less: cash and cash equivalent balances transferred			(992)
			9,208

Deferred cash consideration of €1,000,000 is due for payment on 12 April 2018 in accordance with the share purchase agreement. The deferred consideration recorded within as contingent consideration within non-current other payables on the 2016 balance sheet represented the fair value amount at the balance due.

The main factors leading to the recognition of goodwill on the acquisition of the Synthesis Group are the presence of certain intangible assets in the acquired entity, which are not valued for separate recognition, such as the expertise in sound recording and localisation and reputation of the staff within the industry.

A fixed amount of 2,376,518 Keywords Studios PLC shares will be issued as part of the deferred consideration. The shares have been valued at the share price at the date of acquisition, £2.32 (€2.91). €6,906,000 has been recorded as shares to be issued within equity.

The Synthesis Group of companies contributed €18,012,547 revenue and €3,494,458 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, total revenue for 2016 of €20,662,464 would have been contributed to the Group, and a corresponding profit before tax of €3,887,462.

Acquisition costs of €254,698 have been charged through the Statement of Comprehensive Income.

Acquisition of Mindwalk Studios Inc. and Mindwalk Studios Ltd.
On 31 May 2016 the Group acquired 100% of the assets, the business and the customer contracts of Mindwalk Studios Inc., a company registered in China, and Mindwalk Studios Ltd, a company registered in the British Virgin Islands. The companies trade as one business entity and specialise in the provision of art creation services for the video games industry. The acquisition is in line with the Group's strategy to further strengthen art services and to extend the Group's client base in this service.

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

Mindwalk

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Property, plant and equipment	465	(333)	132
Identifiable intangible assets – customer relationships	–	1,100	1,100
Trade and other receivables	581	(39)	542
Cash and cash equivalents	442	(30)	412
Deferred tax asset	–	83	83
Deferred tax liabilities	–	(137)	(137)
Total identifiable assets	1,488	644	2,132
Goodwill			3,117
Total consideration			5,249
Satisfied by:			
Cash			3,048
Deferred cash consideration			315
Shares to be Issued			1,886
Total consideration transferred			5,249
Net cash outflow arising on acquisition			
Cash			3,048
Less: cash and cash equivalent balances transferred			(412)
			2,636

The main factors leading to recognition of goodwill on the acquisition of Mindwalk are the presence of certain intangible assets in the acquired entity, which are not valued for separate recognition, such as the expertise in art creation service and reputation of the staff within the industry. The fair value of the shares to be issued as part of the acquisition has been determined as being the share price on the date of the transaction.

A fixed amount of 513,189 shares will be issued as part of the deferred consideration. The shares have been valued at the share price at the date of acquisition, £2.80 (€3.67) and €1,886,000 has been recorded as shares to be issued in reserves.

Deferred cash consideration of USD$500,000 is due for payment on 5 April 2019 in accordance with the purchase agreement. The deferred consideration recorded within as contingent consideration within non-current other payables on the 2016 balance sheet represented the fair value amount at the balance due.

Mindwalk contributed €3,166,196 revenue and €227,528 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 for 2016 of €4,825,497 would have been contributed to the Group and €301,165 profit before tax.

Acquisition costs of €199,312 have been charged through to the Comprehensive Income Statement.

Notes Forming Part of the Consolidated and Company Financial Statements continued

29 Business Combinations Completed in 2016 continued

Acquisition of Volta Création Inc.

On 28 July 2016, the Group acquired 100% of the issued share capital of Volta Création Inc., a company registered in Canada, which specialises in Art Creation for the Games industry. Volta was acquired to increase the capabilities and capacity of the art creation service and in particular to strength to the Groups offering in concept art.

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

Volta

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Fixtures, fittings and equipment	74	–	74
Identifiable intangible assets – customer relationships	–	761	761
Trade and other receivable	513	–	513
Cash and cash equivalents	(31)	–	(31)
Trade and other payables	(322)	–	(322)
Deferred tax liabilities	–	(202)	(202)
Total identifiable assets	234	559	793
Goodwill			2,701
Total consideration			3,494
Satisfied by:			
Cash			3,324
Equity instruments (45,192 shares of the parent company)			170
			3,494
Net cash outflow arising on acquisition			
Cash			3,324
Less: cash and cash equivalent balances transferred			31
			3,355

The main factors leading to the recognition of goodwill on the acquisition of Volta Création Inc. are the presence of certain intangible assets in the acquired entity, which are not valued for separate recognition, such as the expertise in Art and Art Services and reputation of the staff within the industry.

Volta Création Inc. contributed €1,181,050 revenue and €209,305 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 for 2016 of €2,406,878 would have been contributed to the Group and profit before tax of €277,687.

Acquisition costs of €19,298 have been charged through the Statement of Comprehensive Income.

Acquisition of Player Research Ltd

On 26 October 2016, the Group acquired 100% of the issued share capital of Player Research Ltd., a company registered in the United Kingdom, which is an industry-leading user research and playtesting specialist. The acquisition is in line with the Group's strategy to extend its services, with the objective of providing end to end services to its global client base covering all aspects of game production and live operations support.

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

Player Research

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Fixtures, fittings and equipment	45	–	45
Identifiable intangible assets – customer relationships	–	158	158
Trade and other receivable	169	–	169
Cash and cash equivalents	489	–	489
Trade and other payables	(133)	–	(133)
Deferred tax liabilities	–	(32)	(32)
Total identifiable assets	570	126	696
Goodwill			1,014
Total consideration			1,710
Satisfied by:			
Cash			1,128
Deferred cash			265
Equity instruments (65,280 shares of the parent company)			317
			1,710
Net cash outflow arising on acquisition			
Cash			1,128
Less: cash and cash equivalent balances transferred			(489)
			639

Deferred cash consideration of £300,000 is due for payment on 26 October 2018 in accordance with the share purchase agreement. The deferred consideration recorded within as contingent consideration within non-current other payables on the 2016 balance sheet represented the fair value amount at the balance due.

The main factors leading to the recognition of goodwill on the acquisition of Player Research Ltd. are the presence of certain intangible assets in the acquired entity, which are not valued for separate recognition, such as the expertise in user research and playtesting and reputation within the industry.

Player Research contributed €182,820 revenue and €64,525 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 for 2016 of €921,339 would have been contributed to the Group and profit before tax of €307,592.

Acquisition costs of €40,785 have been charged through the Statement of Comprehensive Income.

Acquisition of Global Video-Games Services Inc., trading as Enzyme Testing Labs
On 16 November 2016, the Group acquired 100% of the issued share capital of Global Video-Games Services Inc., trading as Enzyme Testing Labs, a company incorporated under the laws of Quebec. Enzyme's strengths are in functional QA and localisation testing of video games for leading game publishers and developers. In addition, it provides localisation services and focus group testing, all of which will significantly strengthen Keywords' service offerings to the global video games market.

Notes Forming Part of the Consolidated and Company Financial Statements continued

29 Business Combinations Completed in 2016 continued

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

Enzyme

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Fixtures, fittings and equipment	929	(13)	916
Identifiable intangible assets – customer relationships	–	1,669	1,669
Trade and other receivable	2,546	–	2,546
Cash and cash equivalents	695	–	695
Trade and other payables	(2,334)	–	(2,334)
Deferred tax assets	–	3	3
Deferred tax liabilities	–	(761)	(761)
Total identifiable assets	1,837	899	2,735
Goodwill			731
Total consideration			3,466
Satisfied by:			
Cash			3,466
Net cash outflow arising on acquisition			
Cash			3,466
Less: cash and cash equivalent balances transferred			(695)
			2,771

The main factors leading to the recognition of goodwill on the acquisition of Enzyme are the presence of certain intangible assets in the acquired entity, which are not valued for separate recognition, such as the expertise in functional QA and localisation testing.

Enzyme contributed €1,094,913 revenue and €59,820 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 for 2016 of €8,632,254 would have been contributed to the Group and profit before tax of €954,332.

Acquisition costs of €243,774 have been charged through the Statement of Comprehensive Income.

Acquisition of Sonox Audio Solutions S.L.U.
On 22 December 2016, the Group acquired 100% of the issued share capital of Sonox Audio Solutions S.L.U. ("Sonox"), a company incorporated under the laws of Spain. Sonox provides Audio and Localisation for Spain and Mexico. Sonox already provides certain services to the Group and its acquisition will enable the Group to capture the margins on those services.

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

Sonox

	Book value €'000	Fair value adjustment €'000	Fair value €'000
Financial assets			
Fixtures, fittings and equipment	2	–	2
Identifiable intangible assets – customer relationships	–	–	–
Trade and other receivable	268	–	268
Cash and cash equivalents	177	–	177
Trade and other payables	(411)	–	(411)
Deferred tax liabilities	–	–	–
Total identifiable assets	36	–	36
Goodwill			614
Total consideration			650

Satisfied by:	
Cash	500
Equity Instruments (24,881 shares of the parent company)	150
	650

Net cash outflow arising on acquisition	
Cash	500
Less: cash and cash equivalent balances transferred	(177)
	323

The main factors leading to the recognition of goodwill on the acquisition of Sonox are the presence of certain intangible assets in the acquired entity, which are not valued for separate recognition, such as the expertise in audio and localisation.

Sonox contributed €52,032 revenue and €87,969 additional 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 for 2016 of €1,308,004 would have been contributed to the Group and profit before tax of €454,827.

Acquisition costs of €21,687 have been charged through the Statement of Comprehensive Income.

30 Supplementary Information to the Statement of Cash Flows

Group Movement on Loans

	Current €'000	Non-current €'000	Total €'000
Opening loans and borrowings 1.1.2017	8,025	345	8,370
Cash flows			
Cash received via additional loans taken in the current year	10,250	–	10,250
Repayment of loans	(23)	–	(23)
Non-cash flows			
Amounts recognised on business combinations	632	51	683
Non-current at 1.1.2017 transferred to current 31.12.2017	59	(59)	–
Closing Loans and borrowings 31.12.2017	**18,943**	**337**	**19,280**

31 Events After the Reporting Date

Acquisition of Maximal

On 22 March 2018 the Group completed the acquisition of Maximal, an audio business based in Sao Paulo. Maximal does voice-over recording for the video games and learning industries. Maximal will add to our audio capabilities in the South American market, providing Keywords its first recording studio in Brazil, which will complement our localisation operation in Rio. Under the terms of the acquisition Keywords will pay cash consideration of up to €500k; €300k initially plus up to €200k over two years, contingent on results.

At the date of authorisation of these financial statements, no further validated information was available.

Notes Forming Part of the Consolidated and Company Financial Statements continued

31 Events After the Reporting Date continued

Acquisitions of Cord Worldwide Limited and Laced Music Limited

On 6 April 2018 the Group announced that it had acquired Cord Worldwide Limited ("Cord") and Laced Music Limited ("Laced") for a total consideration of £4.5m/€5.2m from the Cutting Edge Group ("Cutting Edge"). Based in London, Cord provides a range of music-focused branding and strategic consulting services to large businesses including Shell, Lego and BT. Laced is a music services company and record label specialising within the video games industry. The companies will bring additional talent, expertise and music industry experience to Keywords' client base. Being able to offer music services to our clients will further enhance our reputation as the leading provider of services to the global video games industry.

Under the terms of the acquisition, which is anticipated to be earnings enhancing, the total consideration will be £4.5m/€5.2m. This will be satisfied by cash of £3.4m/€3.9m, and the remainder will be issued in shares to the sellers two years after the acquisition. At the date of authorisation of these financial statements, no further validated information was available.

Company Information

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