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Keywords Studios PLC
19 September 2017

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Keywords Studios plc ("Keywords Studios", "the Group")

Half year results for the six months to 30 June 2017

Keywords Studios, the international technical services provider to the global video games industry, today provides its half year results for the six months to 30 June 2017.

Financial overview:

- Revenue, including contribution from acquisitions, increased by 50% to €63.8m (H1 2016: €42.4m)
- Adjusted profit before tax* up 60% to €9.6m (H1 2016: €6.0m)
- Adjusted earnings per share* up 55% to 13.2c (H1 2016: 8.5c)
- Net cash of €1.1m (H1 2016: €3.5m) after €6.9m of net cash outlay on acquisitions
- 10% increase in interim dividend to 0.48p per share (2016: 0.44p)

Operational overview:

- 17% increase in like for like** revenue, or 28% when excluding Synthesis in both periods reflects the underlying growth of the group
- Continued to invest in the development of the Group:
  - Acquisition of Spov, to enhance our Art offering, in February
  - Acquisition of XLOC, bringing a specialist localisation content management system for videogames development to the Group, in May
  - Acquisition of Gamesim, which provides the Group with a first step into software engineering services, in May
  - Acquisition of the Chinese based art group, Red Hot, in May adding further capacity and providing reach to talent pools in second and third tier cities in China
  - Further strengthened the senior management team with the appointment of a Group HR Director, a newly created position
  - Invested in facilities in India and Tokyo, adding up to 150 seats and audio / voice over recording studios respectively in response to demand
- Five year revolving credit facility of €35m with Barclays Bank Plc secured
- 40% increase in clients using three or more services to 84 (H1 2016: 60)

Post period end, current trading and outlook:

- Further investment in operational capacity and Group infrastructure to support growth in future periods:
  - Three acquisitions of Paris based audio and localisation service providers in August giving Keywords a market leading position in this key language
  - Strengthened the Board and management team with the appointments of Georges Fornay and Charlotta Ginman as Non-Executive Directors
  - Expansion plans supported by investment in 8 facilities to add up to 700 seats across Art, Player Support, Functionality Testing, and Localisation Testing in the second half to accommodate organic growth in response to market demands
  - Selectively reviewing a strong acquisition pipeline
- Trading in the first three months of the second half has been in line with the Board's expectations

* *before acquisition and integration expenses of €0.5m (H1 2016: €0.7m), share option charges of €0.4m (H1 2016: €0.3m), amortisation of intangibles of €1.2m (H1 2016: €0.6m) and foreign currency loss of €1.96m (H1 2016: €1.77m)*

** *calculated on the basis that the H1 2016 comparative includes all of the 2016 and 2017 acquisitions as if they had been owned for the same period in 2016 as they have been in 2017.*

Andrew Day, Chief Executive of Keywords Studios, commented:

"We have delivered another strong set of results for the first six months of the year as we continue to pursue our strategy of organic and acquisition led growth as we build our global games services business."

"Our success in providing a wider range of services to our existing client base, which is comprised of 23 of the 25 leading video game companies around the world, is evidenced by a 40% increase in the number of clients buying three or more services from us."

"We continue to invest in larger facilities and additional talent in our existing business in support of organic growth while welcoming new businesses to the group through our active strategy to lead the consolidation of a highly-fragmented market."

A presentation of the half year results will be made to analysts later this morning at MHP's offices. To register to attend, please contact Nessyah Hart at MHP Communications on 020 3128 8156. A video of the presentation will be available via Keywords Studios' website later today.

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Notes to Editors

Keywords Studios is an international technical services provider to the global video games industry. Established in 1998, and now with 36 facilities in 18 countries strategically located in Asia, the Americas and Europe, it provides integrated art creation, software engineering, testing, localisation, audio and customer care services across more than 50 languages and 16 games platforms to a blue-chip client base in more than 15 countries. It has a strong market position, providing services to 23 of the top 25 most prominent games companies, including Activision Blizzard, Bandai Namco, Bethesda, Electronic Arts, Konami, Riot Games, Sony, Square Enix, Supercell, TakeTwo, and Ubisoft. Recent titles worked on include Uncharted 4: A Thief's End, Call of Duty: Infinite Warfare, Mortal Combat X, Assassin's Creed Syndicate, Battlefield 1, Overwatch, World of Warcraft: Legion, Hearthstone, Clash Royale, and Mobile Strike. Keywords Studios is listed on AIM, the London Stock Exchange regulated market (KWS.L).

Introduction

The first half of the financial year has seen the Group deliver another period of strong organic growth, substantially complemented by acquisitions which have further extended its service offering and geographic reach.

Like for like revenues increased by 17%, or 28% when excluding Synthesis in both periods, reflecting continued strong underlying growth of the core business.

During the first half, we have continued to invest in the business, with four acquisitions of Spov, XLOC, GameSim and Red Hot. These have extended the Group's market position as a leading provider of digital art services; given the Group a content management system which allows it to provide integrated software and services across the full text localisation cycle; provided a first step into the market for video games related software engineering services; and positioned the Group as the leading global player in the outsourced art services market in terms of capacity and breadth and depth of service.

We have also made good progress with integrating prior period acquisitions, all of which are making good contributions to the Group. We have continued to invest in both expanding our operational capacity and enhancing the Group's infrastructure in order to support growth in future periods. We have invested in people, systems and marketing including the appointment of a Group HR Director, a newly created position. We are developing our IT and finance functions following the previous appointments of IT and finance directors and we are enhancing our branding. Over the course of the full year, we are investing in ten new or expanded facilities which will ultimately provide capacity for up to 700 additional seats across the Group to cater for demand for our services. In addition, since the half year end, we have also strengthened the Board with the appointments of Georges Fornay and Charlotta Ginman as Non-Executive Directors.

Financial overview

Group revenues increased by 50% to €63.8m (H1 2016: €42.4m). The increase was driven by the successful integration and continued progress of the 2016 acquisitions, coupled with strong like for like growth across most of our service lines.

The gross profit margin of 35.6% (H1 2016: 35.1%) was stronger than the comparative period, albeit below the level at the full year (FY 2016: 38%) due to a combination of the change in mix of services and seasonality.

Operating expenses increased in the first half of the year to €12.8m (H1 2016: €8.8m) reflecting the costs of the acquired entities. However, operating expenses as a proportion of sales reduced to 20.1% (H1 2016: 20.8%). The decrease is primarily driven by the Group management and central support costs being spread across a larger revenue base, with cost management remaining a point of focus across the Group's studios.

One-off costs of acquiring and integrating the newly acquired companies of €0.5m (H1 2016: €0.7m) were incurred in the period. Included in net finance costs is a translational foreign exchange loss of €1.96m (H1 2016: €1.77m loss) in the first half of the current year which is primarily due to the strengthening of the Euro against most major global currencies.

Adjusted profit before tax and acquisition-related costs, share option charges, amortisation of intangibles and foreign currency movements for the first half of the current financial year increased by 60% to €9.6m (H1 2016: €6.0m). After these items, the Group reported a profit before tax for the period of €5.5m (H1 2016: €2.6m).

The estimated tax charge in the period is €2.0m (H1 2016: €1.3m), representing an effective tax rate on the adjusted profit of 21.1% which is small reduction on the rate for 2016 (FY 2016: 21.7%, H1 2016: 21.4%).

Adjusted earnings per share (before tax and acquisition-related costs, share option charges, amortisation of intangibles and foreign currency movements) were up 55% to €13.2c (H1 2016: €8.5c). Basic earnings per share were up 152% to €6.08c (H1 2016: €2.42c). The denominator used for these calculations includes the shares which will be issued to the sellers of Synthesis, Mindwalk and Red Hot.

A combination of the increased trading in the second quarter and the Group entering a traditionally busy third quarter, where the Group has its maximum cash requirement for the year, has led to a net inflow of cash from operations of €2.3m (H1 2016 €0.6m). In the period, the Group made four acquisitions with a net cash outflow on consideration of €6.6m (H1 2016: €12.0m), the group settled a deferred consideration liability of €0.3m on the 2015 acquisition of Liquid Development, and incurred an additional €0.5m (H1 2017: €0.7m) in acquisition and integration costs. To help fund these and future acquisitions the Group has secured a credit facility with Barclays of up to €35m over a five year period. The facility can also be used to fund working capital and, at the end of the period, the amount drawn down was €13.0m giving the Group plenty of headroom. Investment in fixed assets amounted to €1.8m (H1 2016: €1.3m), reflecting in particular the cost of increasing capacity in several studios and a continued refresh of IT equipment.

Operational review

Following acquisitions during the first half and prior periods, Keywords is a more diversified business geographically with a well balanced portfolio of services; based on recorded revenues rather than pro forma revenues, Art Creation services represented 19% of group revenues, Audio services represented 13%, Localisation services represented 30%, Functional Testing represented 17%, Localisation Testing represented 14%, Customer Support services represented 6% and the new Engineering service line represented 1% in the first half.

Art Creation

Our Art Creation service line creates graphical art assets for inclusion in video games including concept art creation, 2D and 3D art asset production and animation.

Art Creation revenues grew by 85% to €12.4m (H1 2016: €6.7m) with the benefit of contributions from Mindwalk, which was acquired at the end of May 2016, and Red Hot, acquired in May 2017. On a like for like basis, Art Creation grew sales by 22%, as Keywords continues to expand the range of services and capacity in this area.

Following the acquisitions of Spov and Red Hot, we finished the first half with c.920 artists on our payroll (H1 2016: c.530) of which c.870 are in India and China based in our Lakshya, Mindwalk and Red Hot studios, and, through Liquid Development and Volta, we manage further pools of freelance artists numbering about 230 in total. We believe these acquisitions and our talent base make Keywords the leading global player in the highly fragmented outsourced art services market in terms of capacity and breadth and depth of service.

Audio Services

Our Audio service line provides multi language voice-over, original language voice recording and related services.

Audio revenue fell by 8% in the period to €8.4m (H1 2016: €9.1m). On a like for like basis, revenues fell by 25% reflecting an exceptionally strong performance in the comparatives from Synthesis in 2016, as reported previously. Excluding Synthesis, like for like revenue declined in Audio by 10% primarily due to the phasing of major titles.

Localisation

Our Localisation service line provides translation of in-game text, audio scripts, cultural, and local adaptation, accreditation, packaging and marketing materials.

The Localisation activities have had a strong first half, growing revenues by 36% to €19.0m (H1 2016: €14.0m) with the benefit of contributions from Synthesis, acquired in April 2016, Sonox, acquired in December 2016 and XLOC, acquired in May 2017.

On a like for like basis, Localisation revenues have grown by 23%, against the very strong comparatives driven by the Synthesis acquisition in 2016. Excluding Synthesis, like for like sales grew 36% as this service line continued its very strong growth and continued to benefit from the trend towards continuous content generation in the games industry.

The acquisition of XLOC brings to the Group a proprietary software application that is embedded in to the localisation processes of games developers and enables game developers and publishers to more efficiently manage and automate the complex process of localising games content across multiple languages and platforms for simultaneous global launches and continuous publishing. We are currently in the process of integrating the software with our existing services, in addition to continuing to offer XLOC as a standalone solution which is relied upon from an earlier stage than Keywords Studios has typically been involved.

Functional Testing

Our Functional Testing service line provides quality assurance including the discovery and documentation of game defects and testing to verify the game's compliance with console manufacturers' specifications.

Functional testing revenues increased by over 200% to €11.0m (H1 2016: €3.3m), with the benefit of the contributions of the Player Research and Enzyme acquisitions completed in October and November 2016 respectively. On a like for like basis, Functional Testing revenues have still shown an increase of 70%. This very strong performance is in part related to a significant increase in volume associated with a managed services arrangement with one of the Group's top clients.

We are investing behind this growth with facility expansions underway in Montreal, Tokyo and India to provide additional capacity for this service line.

Localisation Testing

Our Localisation Testing service line identifies out of context translations, truncations, overlaps, spelling, grammar, age rating issues, cultural issues and tests for console manufacturer compliance requirements in over 30 languages using native speakers.

The Group's historic reliance on Localisation Testing continued to reduce as planned such that it accounted for 14% (H1 2016: 16%) of Group revenues during the first half, however Keywords remains the largest provider in the market. Sales increased by 26% to €8.7m (H1 2016: €6.9m), with the benefit of contributions from the acquisitions of Synthesis and Enzyme , acquired in April and November 2016 respectively. On a like for like basis, Localisation Testing grew by 2.6%, or 6.4% excluding Synthesis. We typically expect localisation testing to see a higher level of activity in the second half of the year and are encouraged by current volumes and have a good pipeline of activity.

Enzyme has been successfully integrated and we plan to expand our facilities and capacity for Localisation Testing in Dublin, Tokyo and Montreal during the second half.

Customer Support

Our Customer Support service line provides multi-lingual, cost effective and flexible customer care services including managing communities of gamers across all forms of social media, within the games themselves and on the official game forums.

Initially established through the acquisition of Alchemic Dream in January 2015, taking over the operations of Ankama based in Manila in March 2016 extended the offering further, including into live operations support and promotions and fraud management. Customer Support sales increased by 58% to €3.8m in the first half (H1 2016: €2.4m). On a like for like basis, Customer Support grew by 57%, reflecting good continued development of the business which has expanded successfully in Montreal, Japan and Manila, with investment supporting further expansion planned in Tokyo, Montreal and Madrid in the second half.

Engineering

Our software Engineering service line provides outsourced software engineering services to game developers.

GameSim was acquired in May 2017, establishing engineering as part of the Group's offering, and has performed in line with our expectation having contributed €0.5m of sales in the first half, which accounted for 1% of Group sales.

Dividends

The Board is pleased to announce a 10% increase in its interim dividend payment, in line with its progressive dividend policy. The interim dividend of 0.48p per share will be paid on 27th October 2017 to shareholders on the register on 6th October 2017. The interim dividend payment will absorb approximately €0.3m of cash resources.

People

In June, we appointed a Group HR director, a newly created position which further strengthens our management team complementing our recent hires of an IT director and Chief Customer Officer.

In September, we strengthened our Board with the appointments of Georges Fornay and Charlotta Ginman as Non-Executive Directors with effect from 1 September 2017. Georges brings 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. Charlotta brings extensive M&A, TMT sector and PLC experience with her having followed a career in investment banking prior to holding senior roles within Nokia Corporation. She currently sits on the Boards of Pacific Assets Trust plc, Polar Capital Technology Trust plc, Unicorn AIM VCT plc, Motif Bio plc and Consort Medical plc.

The average number of employees across the Group has grown to c.2730 (H1 2016: c.1490) and our continued growth and reputation for consistently delivering good quality service to demanding deadlines is testament to the Keywords culture and the skills and commitment of Keywords' talented and games passionate employees and collaborators. On behalf of the Board and shareholders we'd like to thank everyone involved for their valuable contribution to the continued success of the Group.

Strategy

We have made strong progress in delivering on our strategy to grow Keywords Studios both organically and by selective acquisition to extend the Group's client base, service lines and geographical penetration, where the Group can use its existing expertise, multi-service platform, scale and global reach to generate synergies in a highly fragmented games services industry.

We are particularly pleased to have launched our newest service line, Engineering, through the acquisition of GameSim which has provided an entry point into outsourced software engineering services and is highly complementary to our existing essential services to game developers and publishers around the world. Our intention is to use this as a platform from which to build a market leading engineering services capability for our clients.

In Art Creation we have also created greater scale, particularly in China through the acquisition of RedHot. Its hub and spoke model now gives the company the advantage of broader access to the Chinese pool of video game art talent, which is the largest in the world, while maintaining control and providing international business access through Shanghai. In line with this approach, we are expanding our Chinese Art production capabilities by moving to new premises in Zhengzhou, which has a lower cost base but is ideally located between Beijing and Shanghai, trebling our capacity there from 50 to 150 seats.

Today, we have a better balanced business across the seven service lines and are able to support video game developers and publishers from the very early concept stages through to the post launch, live operations phases, in line with our aim to be the leading scale provider of services at all stages in the games lifecycle to our global customer base.

The Board believes that there is a clear opportunity for Keywords to continue to extend its existing relationships with many of the major games companies both through providing additional services to existing customers and through providing dedicated outsourced services. During the first half, we have achieved a 40% increase in clients using three or more services to 84 (H1 2016: 60). We maintain a strong acquisition pipeline and we continue to review selective acquisitions opportunities that could further extend our service offering or geographical penetration.

CURRENT TRADING AND OUTLOOK

We are pleased with our progress so far this year, and t rading in the first three months of the second half of the year has been in line with the Board's expectations.

We continue to make good progress with our cross selling initiatives, and with growing our market share. We are regularly seeing the benefits of our wider geographic reach and broader range of services as we introduce additional services to established clients.

The investment in our businesses is continuing as we enlarge our talent pool and facilities and further develop the Group's infrastructure to support growth in future periods. There will be an expected second half weighting to that investment given our plans to invest in eight new or improved facilities in the second half.

The newest members of our Group are integrating and performing well and we continue to review a pipeline of high quality acquisition candidates. Overall, we therefore look forward to another full year of strong progress as we continue to gain market share, benefit from the trends towards outsourcing and consolidate services to the growing video games industry.

Interim consolidated statement of comprehensive income

	Note	**Unaudited 26 weeks ended 30 Jun 17 €'000**	**Unaudited 26 weeks ended 30 Jun 16 €'000**	**Audited 52 weeks ended 31 Dec 16 €'000**
Revenues	4	63,760	42,410	96,585
Operating costs		(42,649)	(28,244)	(62,196)
Multimedia tax credits		1,587	734	2,289
Net Operating Costs		(41,062)	(27,510)	(59,907)
Gross profit		22,698	14,900	36,678
Share option expense	14	(416)	(284)	(686)
Costs of acquisition and integration		(461)	(702)	(1,316)
Amortisation of intangible assets		(1,223)	(615)	(1,629)
Other administration expenses		(12,782)	(8,802)	(21,588)
Administrative expenses		(14,882)	(10,403)	(25,219)
Operating profit		7,816	4,497	11,459
Financing income	6	55	52	94
Financing cost	6	(2,356)	(1,941)	(2,118)
Profit before taxation		5,515	2,608	9,435
Tax expense	7	(2,025)	(1,280)	(3,223)
Profit from Operations		3,490	1,328	6,212
Other comprehensive income:				
Exchange gains / (loss) on translation of foreign operations		(1,191)	332	489
Actuarial loss on defined benefit plan		(35)	-	(63)
Total comprehensive income:		2,264	1,660	6,638
Profit for the period attributable to:				
Owners of the parent		3,490	1,328	6,273
Non-controlling interest		-	-	(61)
		3,490	1,328	6,212
Total comprehensive income attributable to:				
Owners of the parent		2,264	1,660	6,699
Non-controlling interest		-	-	(61)

	Note			
		2,264	1,660	6,638
Earnings per share		Euro cent	Euro cent	Euro cent
Basic earnings per ordinary share (Euro cent)	9	6.08	2.42	11.22
Diluted earnings per ordinary share (Euro cent)	9	5.83	2.36	10.87

The notes on pages 12 to 32 form an integral part of these consolidated financial statements.

Interim consolidated statement of financial position

	Note	**Unaudited 26 weeks ended 30 Jun 17 €'000**	**Unaudited 26 weeks ended 30 Jun 16 €'000**	**Audited 52 weeks ended 31 Dec 16 €'000**
Non-current assets				
Property, plant and equipment		5,951	4,350	5,498
Goodwill	11	52,748	41,471	46,799
Intangible assets	12	8,805	6,991	8,696
Deferred tax assets		1,329	845	880
		68,833	53,657	61,873
Current assets				
Trade receivables		18,766	17,733	13,879
Other receivables		10,505	8,271	7,778
Short-term investments		-	314	-
Cash and cash equivalents		14,482	7,547	17,020
Total Current Assets		43,753	33,865	38,677
Total assets		**112,586**	**87,522**	**100,550**
Equity				
Share capital	10	670	647	654
Share capital - To Be Issued		6,807	8,792	8,792
Share premium		19,186	18,691	19,983
Merger reserve		27,922	20,800	22,109
Foreign exchange reserve		(204)	830	987
Treasury shares held in EBT		(2,047)	(804)	(1,434)
Share option reserve		1,646	903	1,305
Retained earnings		17,199	11,064	14,308
		71,179	60,923	66,704
Non-controlling interest		-	-	-
Total equity		71,179	60,923	66,704
Current Liabilities				
Trade payables		5,408	4,420	4,822
Other payables		14,193	12,607	12,431
Loans and Borrowings	13	13,043	4,000	8,025
Corporation tax liabilities		3,058	1,370	2,552
		35,702	22,397	27,830
Non-current liabilities				
Other payables		930	1,380	1,592
Employee Defined Benefit		1,025	-	826
Loans and Borrowings	13	311	-	345
Deferred tax liabilities		3,439	2,822	3,253
		5,705	4,202	6,016
Total equity and liabilities		**112,586**	**87,522**	**100,550**

The notes on pages 12 to 32 form an integral part of these consolidated financial statement

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 - 1st January 2016 to 30th June 2016	-	-	-	-	-	-	-	1,328	1,328	-	1,328

Other comprehensive income	-	-	-	-	332	-	-	-	332	-	332
Total comprehensive income for the period	-	-	-	-	332	-	-	1,328	1,660	-	1,660
Contributions by and contributions to the owners:											
Share option expense	-	-	-	-	-	-	284	-	284	-	284
Dividends paid	-	-	-	-	-	-	-	(558)	(558)	-	(558)
Treasury shares ring fenced for EBT	-	-	-	-	-	-	-	-	-	-	-
Shares issued for cash	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	(1,309)	(1,309)	1,309	0
Shares Issued on settlement with Kite Team	1	-	149	-	-	-	-	-	150	-	150
Contributions by and contributions to the owners	1	8,792	149	-	-	-	284	(1,867)	7,359	1,309	8,668
Balance at 30 June 2016	**647**	**8,792**	**18,692**	**22,109**	**830**	**(804)**	**903**	**9,754**	**60,923**	**-**	**60,923**
Profit - 1st July 2016 to 31st December 2016	-	-	-	-	-	-	-	4,944	4,944	(61)	4,883
Other comprehensive income	-	-	-	-	157	-	-	(63)	94	-	94
Total comprehensive income for the period	-	-	-	-	157	-	-	4,881	5,038	- 61	4,977
Contributions by and contributions to the owners:											
Share option expense	-	-	-	-	-	-	402	-	402	-	402
Share Options Exercised	-	-	-	-	-	(632)	-	-	(632)	-	(632)
Dividends paid (note 8)	-	-	-	-	-	-	-	(267)	(267)	-	(267)
Treasury shares ring fenced for EBT	-	-	-	-	-	2	-	-	2	-	2
Elimination of Minority Interest in Kite Team	-	-	-	-	-	-	-	(61)	(61)	61	-
Shares issued for cash - Numis Warrants	5	-	643	-	-	-	-	-	648	-	648
Shares issued upon acquisition - Volta Creation Inc.	1	-	169	-	-	-	-	-	170	-	170
Shares issued upon acquisition - Player Research	1	-	331	-	-	-	-	-	332	-	332
Shares issued upon acquisition - Sonox Audio	-	-	149	-	-	-	-	-	149	-	149
Contributions by and contributions to the owners	7	-	1,292	-	-	(630)	402	(328)	743	61	804
Balance at 31 December 2016	**654**	**8,792**	**19,984**	**22,109**	**987**	**- 1,434**	**1,305**	**14,307**	**66,704**	**-**	**66,704**
Profit for the period	-	-	-	-	-	-	-	3,490	3,490	-	3,490
Other comprehensive income	-	-	-	-	(1,191)	-	-	- 35	- 1,226	-	- 1,226

Total comprehensive income for the year	-	-	-	-	(1,191)	-	-	3,455	2,264	-	2,264
Contributions by and contributions to the owners:											
Share Option Expense	-	-	-	-	-	-	341	-	341	-	341
Share Options Exercised	-	-	-	-	-	(613)	-	-	(613)	-	(613)
Dividends paid (note 8)	-	-	-	-	-	-	-	(563)	(563)	-	(563)
Treasury shares ring fenced for EBT	-	-	-	-	-	-	-	-	-	-	-
Shares issued upon acquisition - Xloc Inc.	-	-	-	184	-	-	-	-	184	-	184
Shares issued upon acquisition - GameSim Inc.	2	-	-	1,392	-	-	-	-	1,394	-	1,394
Shares Issued on deferred settlement with Synthesis Group	14	(3,453)	-	3,439	-	-	-	-	-	-	-
Shares to be issued (Red Hot Acquisition)	-	1,468	-	-	-	-	-	-	1,468	-	1,468
Reserves Reclass	-	-	(798)	798	-	-	-	-	-	-	-
						-					
Contributions by and contributions to the owners	16	(1,985)	(798)	5,813	-	(613)	341	(563)	2,211	-	2,211
Balance at 30 June 2017	**670**	**6,807**	**19,186**	**27,922**	**(204)**	**(2,047)**	**1,646**	**17,199**	**71,179**	**-**	**71,179**

Interim consolidated statement of cash flows

	Note	Unaudited 26 weeks ended 30 Jun 17 €'000	Unaudited 26 weeks ended 30 Jun 16 €'000	Audited 52 weeks ended 31 Dec 16 €'000
Cash flows from operating activities				
Profit/(loss) after tax		**3,490**	**1,328**	**6,212**
Income and expenses not affecting operating cash flows				
Depreciation		1,275	802	1,803
Intangibles amortisation	12	1,223	615	1,629
Income tax expense		2,144	1,279	3,223
Share option expense	14	416	284	686
Loss on disposal of fixed assets		218	-	-
Loss on payment of deferred consideration		-	-	264
Interest receivable		(55)	(52)	(94)
MMTC Credit		(1,587)	(734)	(2,289)
Actuarial Loss on Employee Benefit		35	-	63
Interest Expense		240	69	152
Net Foreign Exchange Losses on Investments		157	1,703	55
		4,066	**3,966**	**5,492**

Changes in operating assets and liabilities			
(Increase)/ Decrease in trade receivables	(3,702)	(9,423)	(3,788)
(Increase)/ Decrease in other receivables	(928)	1,673	5,534
Increase/ (Decrease) in trade and other payables	1,572	4,107	3,718
Total Changes	(3,058)	(3,644)	5,464
Income taxes paid	(2,204)	(1,007)	(2,129)
Net cash provided by operating activities	**2,294**	**645**	**15,039**
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired	(6,666)	(12,020)	(19,109)
Settlement of deferred liabilities on acquisitions	(283)	-	(995)
(Acquisition)/disposal of short term investments	-	(287)	27
Acquisition/disposal of property, plant and equipment	(1,824)	(1,254)	(2,306)
Acquisition of interest in a subsidiary	-	(1,000)	(1,000)
Interest received	-	52	94
EBT share purchase	(613)	-	(630)
Net cash used in investing activities	**(9,386)**	**(14,509)**	**(23,919)**
Cash flows from financing activities			
Repayment of loan to finance Multi Media Tax Credits	-	(1,157)	(1,157)
Repayment of loans	-	(625)	(625)
Loan to finance acquisitions	5,000	4,000	8,000
Dividends paid	(563)	(557)	(825)
Shares issued	-	-	643
Interest paid	(79)	(69)	(152)
Net cash used in financing activities	**4,358**	**1,592**	**5,884**
Decrease in cash and cash equivalents	(2,734)	(12,272)	(2,996)
Exchange gain/loss on cash and cash equivalents	196	801	998
Cash and cash equivalents at beginning of the period	17,020	19,018	19,018
Cash and cash equivalents at end of period	**14,482**	**7,547**	**17,020**

Notes forming part of the consolidated financial statements

1 Basis of preparation

Keywords Studios plc (the "Company") is a company incorporated in the UK. These consolidated financial statements include the financial statements of the Company and its subsidiaries (the "Group") made up to 30 June 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 interim financial statements were approved by the Board of Directors on 18 September 2017. The interim results for the 26 weeks ended 30 June 2017 and the 26 weeks ended 30 June 2016 are neither audited nor reviewed by our auditors and the accounts in this interim report do not therefore constitute statutory accounts in accordance with Section 434 of the Companies Act 2006. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of Keywords Studios plc for the year ended 31 December 2016.

The consolidated statutory accounts of Keywords Studios for the year ended 31 December 2016 have been filed with the Companies House. The report of the auditors on those accounts was unqualified, did not contain any statements under s.498 (2) or (3) of the Companies Act 2006 and did not contain any matters to which the auditors drew attention without qualifying their report.

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated financial statements as were applied in the Keywords Studio plc latest annual audited financial statements.

In the current year the Group has adopted all of the new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as they have been adopted by the European Union, that are relevant to its operations and effective for accounting periods beginning on 1 January 2017. The adoption of these standards has had no material impact on the financial statements.

New standards, interpretations and amendments not yet effective.

The group will adopt IFRS 15, *Revenue from Contracts with Customers* and IFRS 16 *Leases* from 1 January 2019. There were no further new standards or interpretations available for early adoption for the first time for periods beginning on or after 1 January 2017, which have been implemented by the Group. A detailed review of the impact of IFRS 15 *Revenue from Contracts with Customers and IFRS 16 Leases* has not been completed at this point, and therefore the Group is unable to conclude on what impact they may have on the Groups financial statements.

The Interim financial statements for 2017 have been prepared in thousands (€'000). The financial statements are presented in Euro (€) which is the functional currency of the Group.

2 Significant accounting policies

There have been no changes to the accounting policies detailed in the 2016 Annual Report. Over the period covered by the Interim Report the company has acquired new companies, resulting in the creation of both Intangible Assets and Goodwill. The accounting policies relating to Intangible Assets and Goodwill are detailed below.

Business Combinations

The consolidated financial statements incorporate the results of the 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.

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

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 5 years.

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

3 Critical accounting estimates and judgements

There has been no material revisions to the nature and amount of changes in estimates of amounts reported in the annual financial statements 2016 for Keywords Studios Plc.

4 Segmental analysis

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

Management review the performance of the Group by reference to Group-wide revenues derived from seven main service groupings:

- Art Creation - 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
- Audio - 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
- Localisation - Localisation services relate to translation and cultural adaptation of in-game text and audio scripts across multiple game platforms and genres
- Functional Testing - Functional testing relates to quality assurance services provided to game producers to ensure games function as required
- Localisation Testing - Localisation testing involves testing the linguistic correctness and cultural acceptability of computer games
- Customer Support - Customer support relates to the live operations support services such as community management, player support and associated services provided to producers of games to ensure that consumers have a positive user experience
- 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 an entity-wide basis.

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

	Unaudited 26 weeks ended 30 Jun 17 €'000	Unaudited 26 weeks ended 30 Jun 16 €'000	Audited 52 weeks ended 31 Dec 16 €'000
Revenue by line of business			
Art creation	12,381	6,660	16,559
Audio	8,402	9,148	17,263
Localisation	18,989	14,035	32,360
Functional testing	10,964	3,265	8,619
Localisation testing	8,682	6,928	16,204
Customer support	3,817	2,374	5,580
Engineering	525	-	-
	63,760	**42,410**	**96,585**

Geographical analysis of revenues by jurisdiction

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

	Unaudited 26 weeks ended 30 Jun 17 €'000	Unaudited 26 weeks ended 30 Jun 16 €'000	Audited 52 weeks ended 31 Dec 16 €'000
Canada	20,689	8,297	22,053
Ireland	15,371	10,919	25,570
Switzerland	7,217	7,872	17,838
Italy	5,906	3,926	7,269
India	2,643	1,996	4,591
United States	3,079	3,372	5,250
Japan	2,652	2,392	4,886
United Kingdom	1,370	728	1,276
Spain	832	603	2,167

China	613	-	24
Singapore	2,522	1,823	4,787
Germany	483	55	163
Brazil	270	375	619
Mexico	84	52	92
France	29	-	-
Total revenues	**63,760**	**42,410**	**96,585**

Geographical analysis of non-current assets from continuing businesses

	Unaudited 26 weeks ended 30 Jun 17 €'000	Unaudited 26 weeks ended 30 Jun 16 €'000	Audited 52 weeks ended 31 Dec 16 €'000
Canada	8,445	2,289	8,937
Ireland	4,616	4,626	4,779
Switzerland	12,191	13,015	12,657
Italy	11,851	12,357	12,188
India	2,865	2,966	2,991
United States	12,307	8,431	8,657
Japan	327	27	43
United Kingdom	7,711	6,139	6,874
Spain	931	878	1,475
China	4,372	142	287
Singapore	52	346	60
Germany	1,205	1,283	1,241
Brazil	239	231	259
Mexico	-	82	121
Philippines	392	-	424
	67,504	**52,812**	**60,993**

5 Seasonal business

The video games industry and, in particular, the console sector of the games industry, remains heavily dependent on sales of new releases of games and consoles during the traditional holiday season, including the run up to Thanksgiving in the United States and Christmas in other parts of the world. As with all other service providers to the video games industry, certain of Keywords Group's service lines typically experiences significantly higher activity as part of this release cycle during the six months from June to November. This activity drives increased revenues in that period and generates higher gross profit margins compared with the first six months of each calendar year.

Revenue for the 52 weeks ended 30 June 2017 totalled €118m (2016: 52 weeks €76m) and gross profit totalled €44m (2016: 52 weeks €28m).

Within the six months to 30 June 2017, Keyword's Group has acquired 4 new entities which are also included in the results above.

6 Financing income and costs

	Unaudited 26 weeks ended 30-Jun-17 €'000	Unaudited 26 weeks ended 30-Jun-16 €'000	Audited 52 weeks ended 31-Dec-16 €'000
Finance income			
Interest received	55	52	94
	55	52	94
Finance cost			
Bank charges	(151)	(101)	(229)
Interest expense	(240)	(69)	(152)
Foreign exchange losses	(1,965)	(1,771)	(1,737)
	(2,356)	(1,941)	(2,118)
Net financing income/(cost)	**(2,301)**	**(1,889)**	**(2,024)**

7 Taxation

	Unaudited 26 weeks ended	Unaudited 26 weeks ended	Audited 52 weeks ended

	30-Jun-17	30-Jun-16	31-Dec-16
	€'000	**€'000**	**€'000**
Current income tax			
Income tax on profits of parent company	-	3	4
Income tax on profits of subsidiaries	2,745	1,287	3,928
Deferred tax (Note 29)	(720)	(10)	(709)
	2,025	**1,280**	**3,223**

The tax is calculated for all of the Keyword's entities, across all geographies, which have generated profits during the period, after taking into account any tax losses brought forward. The tax is estimated in accordance with the tax laws of each jurisdiction.

8 Dividends Paid

Dividends

	Unaudited 26 weeks ended 30 Jun 2017		Unaudited 26 weeks ended 30 Jun 2016		Audited 52 weeks ended 31 Dec 2016	
	Per share € Cent	**Total €'000**	**Per share € Cent**	**Total €'000**	**Per share € Cent**	**Total €'000**
Final Dividends Paid	1.01	563	1.03	561	1.03	561
Interim Dividends Paid	-	-	-	-	0.49	264
Dividends paid to shareholders	**1.01**	**563**	**1.03**	**561**	**1.52**	**825**

In May 2016, Keywords Studios plc approved a dividend in respect of the financial year ended 31 December 2015 of Stg0.81p/ € cent 1.034 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 Stg 0.44p/€ cent 0.49 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 Stg0.89p/ € cent 1.01 per Ordinary share, or €563k in total, as a final dividend for 2016. The dividend was paid in June 2017.

The Directors recommend an interim dividend of STG 0.48p /€ cent 0.55 per share in respect of the financial year ended 31 December 2017 to be paid on 27 October 2017 to the shareholders who are on the register at 6 October 2017. The dividend is not reflected in the financial statements as it does not represent a liability as at 30 June 2017. The interim proposed dividend will reduce shareholders' funds by an estimated €317k.

9 Earnings per share

Earnings Per Share

	Unaudited 26 weeks ended 30 Jun 2017	Unaudited 26 weeks ended 30 Jun 2016	Audited 52 weeks ended 31 Dec 2016
Basic	6.08	2.42	11.22
Diluted	5.83	2.36	10.87
	€'000	**€'000**	**€'000**
Profit for the period from continuing operations	3,489	1,328	6,273
Denominator (weighted average number of equity shares)	**Number**	**Number**	**Number**
Basic	57,395,949	54,979,778	55,918,481
Diluted	59,851,814	56,282,210	57,716,435

The dilutive impact of share options has been considered in calculating diluted earnings per share.

The basic and diluted weighted average denominators include the impact of the 1,862,297 (Dec 2016 2,889,708)

Shares to be issued relating to the acquisitions of Synthesis, Mindwalk and Red Hot.

10 Share Capital

Share capital

Share capital	**Shares**	**€'000**
At 1 January 2016	**53,837,697**	**646**
Ordinary Shares of £0.01 issued on acquisition of Kite Team	55,508	1
At 30 June 2016	**53,893,205**	**647**
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
At 31 December 2016	**54,428,882**	**654**
Ordinary Shares of £0.01 issued according to the terms of the 2016 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**
At 30 June 2017	**55,787,994**	**670**

On 13 April 2017 the Group issued 1,188,253 of 1p shares in accordance with the terms of the 2016 acquisition of the Synthesis group. These shares had already been included in the basic EPS denominator as they were considered 'Shares to be Issued', contingent only on the passage of time. A further 1,188,253 shares will be issued in April 2018.

On 10 May 2017 the Group issued 19,134 of 1p shares at a value of 807p (€9.61) 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 788p (€9.19) which formed the part of the consideration for the acquisition of Gamesim.

On 22 May 2017, in accordance with the terms of the acquisition of Red Hot, the Group committed to the Issue of 160,642 shares in May 2019. This commitment, which is only dependant on the passage of time, is recorded as 'Shares to be Issued' at a value of 804p (€9.12) per share.

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

11 Goodwill

At 1 January 2016	**23,893**
Recognition on acquisition of subsidiaries	17,995
Revaluation on Exchange Rate Movement	(417)
At 30 June 2016	**41,471**
Recognition on acquisition of subsidiaries	5,060
Revaluation on Exchange Rate Movement	268
At 31 December 2016	**46,799**
Recognition on acquisition of subsidiaries	7,484
Revaluation on Exchange Rate Movement	(1,535)
At 30 June 2017	**52,748**

During the period goodwill arose on the acquisitions of Spov, XLOC, Gamesim and Red Hot.

The goodwill is tested for impairment on an annual basis. The impairment test will be performed as part of the year end process and any adjustment required reported in the annual report. At 30 June 2016 the Board do not consider that there is an impairment is required.

12 Intangible assets - customer relationships

Cost	**Customer Contracts**	**Purchased Software Development**	**Total**
	€'000	**€'000**	**€'000**
At 1 January 2016	**5,132**		**5,132**
Additions	3,921		3,921
Revaluation on Exchange Rate Movement	(147)		(147)
At 30 June 2016	**8,906**		**8,906**
Additions	2,588		2,588
Revaluation on Exchange Rate Movement	136		136

At 31 December 2016	**11,630**		**11,630**
Additions	1,465	147	1,612
Revaluation on Exchange Rate Movement	(386)	-	(386)
	12,709	**147**	**12,856**

Amortisation

	€'000	**€'000**	**€'000**
At 1 January 2016	**1,350**		**1,350**
Amortisation	615		615
Exchange adjustment	(50)		(50)
At 30 June 2016	**1,915**	**-**	**1,915**
Amortisation	1,014		1,014
Exchange adjustment	5		5
At 31 December 2016	**2,934**	**-**	**2,934**
Amortisation	1,221	2	1,223
Exchange adjustment	(106)		(106)
At 30 June 2017	**4,049**	**2**	**4,051**
Net Book Value			
At 30 June 2016	6,991	-	6,991
At 31 December 2016	8,696	-	8,696
At 30 June 2017	**8,660**	**145**	**8,805**

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

13 Loans and borrowings

Since the end of the period, Keywords PLC expanded the revolving credit facility with Barclay's bank to €35,000,000 which can be used for both further acquisitions and to fund working capital. The interest rate is 1.75% above Euribor and there is a 0.4% margin which is charged for unutilised facility. There are charges over the assets of Keywords Studios plc, Keywords International Ltd, Binari Sonori S.R.L, Babel Games Services Inc., Synthesis and Liquid Development LLC.

Loans outstanding are repayable over the following periods**;**

	Unaudited 26 weeks ended 30-Jun-17 €'000	**Unaudited 26 weeks ended 30-Jun-16 €'000**	**Audited 52 weeks ended 31-Dec-16 €'000**
Expiry within 1 Year	13,043	4000	8,025
Expiry between 1 Year and 2 Years	56	-	55
Expiry over 2 Years	255	-	290
	13,354	**4,000**	**8,370**

14 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:

	Unaudited 26 weeks ended 30-Jun-17 €'000	**Unaudited 26 weeks ended 30-Jun-16 €'000**	**Audited 52 weeks ended 31-Dec-16 €'000**
Share Option Scheme Expense	82	100	208
Share Option Scheme - LTIP Expense	334	184	478
	416	**284**	**686**

Of the total share option charge, €85,459 relates to Directors of the Company as at 30 June 2017, (2016: €16,170 for the period ending 30 June 2016).

Share option incentive plan scheme

Share options are granted to certain Directors and 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:

Share Option scheme	Unaudited 26 weeks ended 30-Jun-17		Unaudited 26 weeks ended 30-Jun-16		Audited 52 weeks ended 31-Dec-16	
	Average exercise price in £ per share	Number of options	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	1.58	1,672,056	1.44	1,642,242	1.20	1,642,242
Granted	7.76	283,500	2.45	223,200	2.45	223,200
Lapsed	1.47	(2,909)	1.72	(9,580)	1.67	(44,547)
Exercised	1.42	(85,698)	1.16	(37,842)	1.31	(148,839)
Outstanding at the end of the period	2.45	1,866,949	1.57	1,818,020	1.58	1,672,056
Exercisable at the end of the period	1.27	486,959	1.19	143,512	1.38	522,035

There were 283,500 options granted during the period and 2,909 lapsed due to staff leaving.

On 15 May 2017, 283,500 options were granted at an exercise price of £7.755. All options were granted to either employees or Directors of the Group. Of the 283,500 options granted, 94,500 are exercisable from 15 May 2019 to 15 May 2024, 94,500 are exercisable from 15 May 2020 to 15 May 2024, and 94,500 are exercisable from 15 May 2021 to 15 May 2024

Long term incentive plan scheme

An alternative share plan was introduced to give awards to Directors and staff subject to outperforming the Numis Small Cap (excluding Investment Trusts) index in terms of shareholder return over a three year period. A total of 2,033,469 (June 2016: 1,514,552) nil price (1p) options are available to vest to Directors and to selected employees on the basis of the number of options they are entitled to.

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

Long Term Incentive Scheme	Unaudited 26 weeks ended 30-Jun-17		Unaudited 26 weeks ended 30-Jun-16		Audited 52 weeks ended 31-Dec-16	
	Average exercise price in £ per share	Number of options	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	0.01	860,206
Granted	0.01	696,000	0.01	690,000	0.01	720,000
Lapsed	0.01	(106,222)	0.01	(35,654)	0.01	(105,654)
Exercised			-	-	0.01	(30,861)
Outstanding at the end of the period	0.01	2,033,469	0.01	1,514,552	0.01	1,443,691
Exercisable at the end of the period	0.01	295,365	-	-	0.01	295,365

On 15 May 2017, 696,000 options were granted at an exercise price of £0.01. All options were granted to either employees or Directors of the Group. The 696,000 options granted are exercisable from 15 May 2020 to 15 May 2024 if the market performance conditions are met as at 15 May 2020.

15 Acquisitions

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 qualify 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.

In the opening set up period, Spov contributed €14,805 revenue and €116,889 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 €19,143 would have been contributed to the Group, and a corresponding loss before tax of €126,995.

Acquisition costs of €2,630 have been charged through the Statement of Comprehensive Income.

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 globalization 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)

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 €25,464 revenue and €35,320 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 6 months to 30 June 2017 of €268,534 would have been contributed to the Group and €46,843 profit before tax.

Acquisition costs of €4,738 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
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 €524,860 revenue and €87,365 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 6 months to 30 June 2017 of €2,057,228 would have been contributed to the Group and €151,692 profit before tax.

Acquisition costs of €4,233 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.

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 & 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	(420)	-	(420)
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 €582,168 revenue and €14,433 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 6 months to 30 June 2017 of €2,266,180 would have been contributed to the Group and €304,608 profit before tax.

Acquisition costs of €139,831 have been charged through to the Comprehensive Income Statement.

16 Events after the reporting date

Acquisition after the reporting Date

On 4 August 2017, the group announced the acquisitions 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 businesses being acquired have combined annual revenues of €9.0m and profit before tax of €0.9m. The total aggregate consideration payable is €6.6m on day one and up to a further €1.0m over the two years to 31 December 2019, based on meeting performance targets for the combined businesses. Of the total aggregate consideration of up to €7.6m, up to €6.7m is being satisfied in cash, and the remainder through the issue of 75,796 new ordinary shares in Keywords. Of this total, 9,534 new shares will be issued on day one (and are subject to a 12 month hard lock-in) and the balance will be issued on the first anniversary of completion.

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