Keywords Studios
Imagine More

Imagine More

Keywords Studios plc
Annual Report and Accounts 2022

Keywords Studios
Imagine More

We Imagine More for the global video gaming and entertainment communities

What's inside

Overview

Strategic report

Governance

Financial statements

Supplementary information

We are trusted and relied upon by the world's leading video game companies to work alongside them during the full game development cycle, from concept through to launch and beyond, to bring immersive content to life for the joy of billions of gamers across the world.

Read more on page 02

2022 Highlights

Excellent performance underpinned by strong organic revenue growth

Revenue
€690.7m
+34.8% year-on-year

Organic Revenue growth*
21.8%
2021: +19.0%

EBITDA*
€120.9m
+41.1% year-on-year

Profit before tax
€68.0m
+41.7% year-on-year

Adjusted EBITDA*
€146.9m
+33.4% year-on-year
Margin 21.3% (2021: 21.5%)

Adjusted profit before tax*
€112.0m
+30.2% year-on-year
Margin 16.2% (2021: 16.8%)

Basic earnings per share
61.54c
+36.3% year-on-year

Adjusted earnings per share*
113.50c
+27.2% year-on-year

Adjusted cash conversion rate*
100.1%
2021: 107.3%

Total dividend per share
2.37p
+10.0% year-on-year

Continuing to perform

- Strong performance driven by healthy demand for our services.
- Divisional results now reported across three segments, each of which performed well.
- Five acquisitions for a total maximum consideration of €140 million**.

Refreshed strategy to drive long-term sustainable growth

- Driving strategic partnerships, whilst adopting new technologies that enable us to do more for our clients as well as exploring adjacent markets.
- Simplified structure to drive culture, collaboration and support talent acquisition.

Tangible progress against ESG goals

- Client net promoter score increased to 37.
- Renewed and strengthened partnership with Women in Games.
- Reduced emissions intensity (CO_2e per €m) by 16% during 2022.

Read more on page 10

* Alternative performance measures
The Group reports a number of alternative performance measures (APMs) to present the financial performance of the business which are not Generally Accepted Accounting Principles (GAAP) measures as defined by International Financial Reporting Standards (IFRS). The Directors believe these measures provide valuable additional information for the users of the financial information to understand the underlying trading performance of the business. In particular, adjusted profit measures are used to provide the users of the financial statements a clear understanding of the underlying profitability of the business over time.

For full definitions and explanations of these measures and a reconciliation to the most directly referenceable IFRS line item, please see pages 165 to 170.

** Excluding cash acquired of €5.4 million.

Who we are

About us

From art creation to game development, localization to launch, we're helping to define the games and entertainment landscape and ultimately the experiences of over three billion players worldwide.

Combining our expertise and imagination, we're more than the sum of our parts. Together we have the power to unlock the potential of gaming and beyond.

We're on a mission to Imagine More... more for our clients, more for our studios, more for our people and more for the games that we work on.

We aim to be the world's most trusted partner in technical and creative solutions for the video games and entertainment industries. We want to be a sustainable business that positively contributes to the environment and our communities across the globe.

What we do

Create

Our connected network of game development and art studios across four continents deliver the full suite of production services to clients across the globe.

Our services range from creation of concept art, 2D and 3D asset production and animation to full and co-development of games across all major platforms, porting and remastering and consulting services. In Create, each studio maintains its own brand, due to the strength of their reputations and relationships with their clients.

23

Studios

~3,500

People across 42 cities

Read more on page 34

Globalize

Globalize brings together our audio, testing and localization businesses to create a global offering encompassing all the post-production services required by clients to get a game to launch.

Globalize works to make sure that the initial game experience is as great as possible and both supports global launches and opens new markets by making games accessible in languages from around the world. These technology-enabled services are generally branded under the Keywords banner.

32

Studios

~5,000

People across 27 cities

Read more on page 36

Engage

Engage is a collective of studios that operate across the marketing and player experience spectrum to make sure the games they work on captivate and engage their players.

In a world where games continue to evolve after launch, successful and continued engagement with players is critical to the long-term success of a game. Engage creates world-class trailers and PR campaigns, as well as offering community management and more. Its leading player support business incorporates in-game automated solutions twinned with a customer service team of over 2,000 people.

29

Studios

~2,500

People across 23 cities

Read more on page 38

Our purpose

We bring to life digital content that entertains, connects, challenges and educates people worldwide

Our strategic priorities

- Strategic partnerships
- Technology
- One Keywords
- Talent and capabilities
- Adjacent markets

Read more on page 20

Our responsible business pillars

- People
- Planet
- Community
- Client
- Governance

Read more on page 40

Our footprint

A global business

International scale and diversification across markets

We operate in strategically important locations, which provide both proximity to the world's leading video game companies and good access to skilled talent pools across five continents. Through the year we extended our global reach into three new countries as we continue to fully support our clients' production needs.

#1

technical and creative solutions provider to the video games industry

26

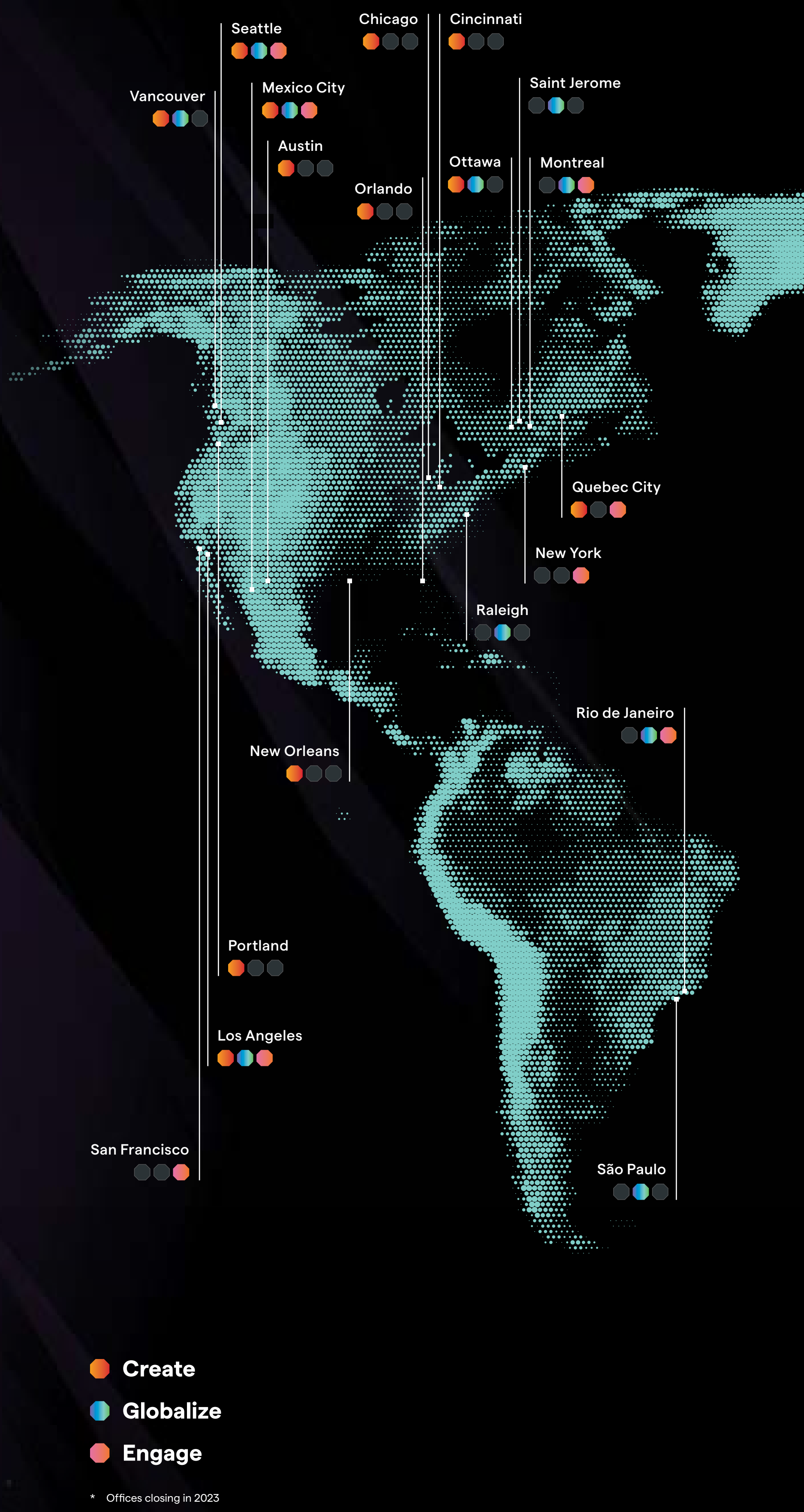
countries

70+

studios

~12k

employees




Portsmouth
Leamington Spa
Berlin
Liverpool
Newcastle
Katowice
Dublin (HQ)
London
Warsaw
Yerevan
Bucharest
Volgograd*
St Petersburg*
Brighton
Madrid
Barcelona
Paris
The Hague
Hamburg
Milan
Rome
Valetta
Belgrade
Krakow
Beijing
Kunshan
Yanjiao
Dalian
Changsha
Seoul
Tokyo
Manila
Pune
New Delhi
Bangalore
Chengdu
Zhengzhou
Singapore
Yogyakarta
Taipei
Shanghai
Qingdao
Brisbane
Melbourne
Adelaide

Chairman's statement

This is my tenth and will be my last Chairman's statement since I joined Keywords just before the IPO in July 2013, and what a journey it has been!

Ross Graham
Chairman

Looking back with pride & respe

I can look back on those 10 years with a combination of pride and respect – pride for having overseen such a remarkable journey from a small company with three studios and a turnover of just €16m to where it is today at the very centre of the video games industry, and respect for all the people who made it happen.

This last year, 2022, has, in many ways, been the most rewarding of all. Finding a new CEO is always a hazardous enterprise, especially given the unplanned circumstances of the retirement of Andrew Day, who had been the driving force behind the growth of Keywords until ill-health forced him to stand down. We were fortunate to have real strength in depth across our leadership team, allowing time to undertake a comprehensive process to appoint a high calibre successor with the requisite experience and expertise.

In Bertrand Bodson we have found the embodiment of everything for which I was looking for, with the enthusiasm, energy, understated charisma and ambition to lead Keywords through the next phase of its development; the aim is simply for Keywords to become an ever more integral part of the industry which it serves. Rarely has the passing of a mantle been achieved with such panache.

For many companies 2022 was a difficult year. I think it says much for the resilience of the video games industry and Keywords' positioning within it that we are able to report another record year of results, with revenue growth of ~35% and with the cash generation of the business continuing to impress. For an acquisitive business this crucial dynamic is a fundamental aspect of the business model.

Acquisition activity continued apace with five high-quality acquisitions spread across each of our service lines. Perhaps to me the most pleasing aspect of the acquisitions was the greater influence of technology, which will contribute to keeping us at the forefront of our industry.

Earlier, I referred to the major influence of Bertrand in creating a new sense of ambition within the business. The areas identified in collaboration with senior management formed the basis for the evolved strategy set out at the capital markets day in June 2022 (and is detailed on pages 20 to 31 of this report) and involves:

- A shift to more of a strategic partner relationship with clients.
- A focus on enhancing service delivery through greater use of technology.
- Increased coordination of activities between service lines through the concept of a "One Keywords" mindset.
- Talent management.

Also more analysis has been undertaken on attractive adjacent industries where gaming technologies are already, or likely to have a major future role and where the technology/ expertise is already embedded throughout Keywords. Media and Entertainment is a natural area to target but the management team has been careful to balance the natural attraction of expanding our overall target market with opportunities to extend its position as the leading service provider to the video games industry. As Keywords still represents less than 10% of the growing market of provision of external services to the video games industry, there remains ample scope for Keywords to continue its own exciting growth trajectory, within this market.

From the foregoing it will be apparent that, in my opinion, the Keywords business is better positioned than it was a year earlier, with a clear strategy to take the business forward. What is more, the senior leadership team under Bertrand has a far stronger sense of cohesion and common purpose. As already announced, Jon Hauck is taking on the position of COO having operated alongside Bertrand for most of the year and assisted in the streamlining of the operational structures at the senior management level. During this period Jon has also continued as CFO (helped immensely by the finance team) and has been in charge of M&A. Our search for a CFO continues, and the comprehensive process has identified a range of highly qualified candidates for the role.

Success doesn't happen by chance and during 2022 some hurdles have had to be overcome. Not least of these has been the necessary relocation of our Russian-based game development operation – now largely completed with new centres established in Serbia, Armenia and Malta – a major accomplishment. For all that has been achieved overall, great credit must go to the senior management personnel throughout the organisation and, of course, every employee who has put in such effort. My thanks are extended to you all.

I also want to pay tribute to my fellow Directors who have been a great support to the executives under Bertrand and to me as Chairman. Working with these talented and hard-working people has been immensely satisfying and great fun. Together we have visited a number of studios, including Dublin, Milan and Tokyo, and benefited from the insights provided by the local teams – in turn, I hope we have given something back.

Finally, and with a certain sense of sadness (but knowing the time is right for a change), I hand over the Keywords torch to Don Robert, my successor as Chairman. I pass to him, Bertrand, and all Keywordians, my good wishes and all good fortune for the next phase in the life of Keywords, now in its 25th year. During my 10-year tenure as Chairman most of the relevant statistics have multiplied by at least 20 times – so no pressure, Don!

Ross Graham
Chairman

Investment case

Market-leading position

Keywords is the only global provider of fully integrated creative and technical solutions to the global video games industry and is ~3x the size of our nearest competitor. With an industry reputation for quality, reliability and flexibility, our global scale, full-service offering and technology platform mean we are well placed to take advantage of the trend for customers to move to more collaborative partnerships with fewer, larger suppliers.

Read more on page 17

~3x
the size of nearest competitor

Access to a large, dynamic growth market

We operate in a growing industry that services the needs of over three billion players, and requires the ongoing creation of engaging content. The content creation market is estimated to be worth ~$36bn, with around one third of this spent with external providers like us, presenting a large growth opportunity. Our focus on content means we are platform agnostic and the increasing complexity of games and consoles is driving demand for larger providers, such as Keywords.

Read more on page 17

3bn
players driving demand for content

Strong growth track record

Since our listing in 2013, we have grown from €16m of revenues to €691m in 2022. Over the last five years, revenues have grown at a compound average growth rate of ~35% through a combination of strong organic growth and M&A. Over the same time period, organic revenue growth has averaged ~15% as we have benefited from both the growth in the video games industry and the trend towards greater use of our services.

Read more on page 32

35%
five-year Revenue compound annual growth rate

Trusted partner

We are trusted by the leading players in the industry to work with them on their biggest franchises and releases. We currently provide a range of services to 24 of the top 25 games companies and all 10 of the top 10 mobile games publishers by revenue and are increasingly looking to deepen these relationships.

24/25

Trusted partner to 24 of the top 25 games companies

Read more on page 21

Diversified enabler of the industry

Our business model means we provide services and solutions to a broad client base rather than owning the intellectual property of a game. This means we have exposure to the underlying growth in the overall exciting video games market, without the risk of exposure to the performance of individual game titles. This is then supplemented by the increasing trend for developers and publishers to utilise external service providers.

150

clients take three or more of our services

Read more on page 18

Inorganic growth engine

Since 2013, we have acquired over 60 businesses to augment our customer offerings, consolidate a fragmented market, extend our geographic reach and continually improve the quality of our earnings. The M&A pipeline continues to be very healthy, and we are selectively pursuing value accretive acquisitions, at valuations well below Keywords' own rating, that support our strategic ambitions.

>60

Completed over 60 acquisitions in the last 10 years

Read more on page 14

Chief Executive's review

2022 marked my first full year as CEO of Keywords, and what a year it was. We delivered extremely strong growth and continued to build out our platform, furthering our position at the forefront of the industry and delivering the solutions our clients require to support the success of their games.

Bertrand Bodson
Chief Executive Officer

Taking us to the next lev

5

new strategic priorities designed to drive long-term sustainable growth

Read more on page 20

In June, we set out our evolved strategy to take the business to the next level, and have made great initial progress delivering against those ambitions. We also unveiled a new, simplified structure to strengthen collaboration across our Group, sharpened our focus on technology, and welcomed five high-quality businesses with over 300 employees, providing further scale and new capabilities to build out our platform. None of this would have been possible without the tireless efforts of our 12,000 Keywordians who consistently Imagine More to deliver high-quality, engaging content and services for our clients.

I spent a considerable part of 2022 visiting our studios across the world with other members of the management team; between us, we have been to Keywords businesses across four continents. Having the opportunity to visit the vast majority of our teams has confirmed to me the fantastic culture and leadership across the organisation and given me great insight into the incredible energy and enthusiasm of our people across the globe. I've also immersed myself in the industry, as coming from a digital but non-gaming background, it was important for me to develop a deeper understanding of the complexities of such a vibrant industry. I thank those who have given their time to support me in this endeavour, and of course, our clients for trusting us to work on their precious content.

I also wholeheartedly extend my thanks to Ross Graham, our departing Chairman, who has offered tremendous guidance to me in my first 12 months. Ross has been with Keywords since the very beginning of our life as a public company, and it is with sadness that we see him retire. Ross has been an exemplary guardian of the business, and we cannot thank him enough for all that he has given to Keywords over the last 10 years. We wish him a long and happy retirement. Whilst we are sad to see Ross go, we are delighted that he is being replaced by someone as experienced and talented as Don Robert. His success in scaling global technology businesses will be invaluable for us as we look to Imagine More for this business. I look forward to working with him over the coming years.

Performance

2022 was another exceptional year. We delivered revenues of €690.7m, representing growth of 34.8%, with organic revenue growth of 21.8%, helped by foreign exchange movements. We also saw a good margin performance with adjusted profit before tax of €112.0m (profit before tax was €68.0m), a margin of 16.2%. As guided, this margin was lower than the 16.8% that we delivered in 2021, as a number of cost savings made due to COVID-19 naturally dissipated, and we incurred meaningful costs relating to the change in operating environment around our single Russia-based business, and our subsequent relocation of staff and operations out of the country. Together, these costs offset the benefit from the strong US dollar on our margins.

During the year we consolidated our eight service lines into a more simplified structure of just three; Create, Globalize and Engage. All three service lines, which will be discussed in more detail later in this report, demonstrated good growth against the previous year which had benefited strongly from post COVID-19 trends. Organic growth was particularly pleasing in our Create and Globalize businesses, driven by strong demand for our services. We also delivered excellent cash generation in the year, which supported our ongoing M&A activities. Our adjusted free cash flow of €112.1m meant that despite spending €116.4m on acquisitions, the total of the cash component of both the current and previous years' transactions, we ended the year with net cash of €81.8m, providing a solid foundation for future M&A. This demonstrates the highly cash generative nature of this business, with cash conversion of 100.1% for the year, ahead of our guidance of 80%.

Market opportunity

Whilst 2023 has so far seen mixed news from the video games industry, we must not forget the industry's journey in recent years. The video gaming sector is larger than the media and entertainment industry and has grown by over 25% since the start of the pandemic.

In 2022, the industry consolidated gains it had made and, due to a lighter release schedule, changes to mobile privacy and the availability of out-of-home entertainment once again, shrank slightly compared to 2021. Despite this, we continue to see industry forecasts for strong growth over the medium-term, with video games continuing to offer incredibly good value on a per-hour of entertainment basis, compared to other forms of entertainment.

Chief Executive's review continued

In the content generation segment of the industry, where we focus, we believe demand remains robust as our clients seek to continue to engage and captivate consumers. Demand for high quality, engaging games, which our business is skewed towards, is still very strong as evidenced by record sales across some of the industry's key franchises over the important holiday period.

The ongoing shift towards live operations, where games are nurtured through regular content updates, will also mean there will be increasing demand for new content from consumers that publishers and developers will have to meet; we will be there to support them.

The trend towards external partnering within the industry is ongoing as it becomes increasingly complex and challenging to bring a game to market. This growing complexity, combined with a shortage of industry talent, means that publishers are increasingly leaning on trusted large-scale partners like us to help them.

We are by far the largest player in our space, and yet remain at only a 6% share of a highly fragmented market. We believe that we have a significant opportunity to continue to take market share organically, as larger developers and publishers will want to work with larger providers with geographic scale, and to consolidate through our successful acquisition programme.

Delivering against evolved strategy

As I detailed at our capital markets day in June, we have set out an evolved strategy which seeks to build on the highly successful platform created over the last few years. The aim of this is to better position the business to serve our clients by enhancing collaboration and the use of technology across our platform.

In addition, we are seeking to build our talent pool, not only by attracting some of the best talent in the industry, but also by retaining and developing key talent ourselves.

We also believe that there is a significant opportunity in markets closely adjacent to gaming in which the technologies we already use are increasingly being deployed; with a key focus on the media and entertainment space.

Across each of these areas we have dedicated project teams who are embedding key initiatives and workstreams across the organisation in collaboration with our leaders. Taking the core elements of the evolved strategy in turn:

Strategic partnerships

We are working hard to shift our relationships with key clients from tactical to strategic partnerships. In this way, we can provide more value for our clients and expand the range of services that they utilise from across our business.

During the year, we initiated strategic partner reviews with our key clients, where senior members from each side can come together for open discussions about how we can work together over the longer-term. This process, which is ongoing, has already significantly improved our clients' understanding of how we can support their growth, and in turn is improving our visibility of activity.

We have also increased our specialist resourcing within the service lines, so that we are better able to respond to client needs with a more holistic offering. I have spent a significant portion of my time obsessively getting to know our clients and their leadership teams. We believe that having both a bottom-up, as well as a top-down approach, will best support long-term relationship building and value creation.

Technology

The technology landscape continues to evolve at a rapid pace, and we must continue to adopt new technologies into our workstreams to remain at the forefront of the industry. Having a background in digital, it was immediately clear to me that Keywords has an opportunity to better utilise the technology that exists within the business, both to enhance its internal systems and provide more comprehensive customer solutions. This will also support the scalability of the business longer-term and ensure we maintain our leadership in the industry. Through utilising existing technologies more, as we have with the KantanAI partnership with Microsoft, and bringing exciting new technologies into the Group through the acquisitions of Mighty Games and Helpshift, we have already made real progress. Both of these acquisitions complement our existing offerings and enable us to broaden our solutions for our clients.

To support our adoption of technology, we have created a standalone innovation team, which is scouring both our business to surface innovations within individual studios, and the broader industry, to ensure that we are able to continually enhance our client offering and ways of working within our business.

Our new leadership principles will help us to collaborate, and Imagine More for our partners, ourselves, the games industry and beyond."

Bertrand Bodson
Chief Executive Officer

6%

market share in a highly fragmented industry

Read more on page 16

One Keywords

Through our One Keywords initiative we are seeking to galvanise and leverage the Group's culture of entrepreneurism and collaboration. We have already seen tangible benefits from the simplification of our structure, which helps us to serve our clients more effectively and ensure employees get the full benefit of being part of the wider Group.

With the support of our new solution architects, we have been able to go to our clients with broader offerings from across many studios, something that was previously difficult to achieve. We have also refreshed our executive team and brought in new talent to lead our Engage business, drive our technology strategy and hired our first Chief People and Culture Officer. In addition, we have launched a studio hub model to allow studio heads to participate in and have a voice at leadership events.

We have also refreshed our previous set of company values, by putting in place a simple set of five leadership principles, which are designed as a practical tool to be applied to everyday working life:

- Power of Partnership
- One Keywords
- Raise the Game
- Embrace an Open World
- Trust through Transparency

These are guiding actions which create the conditions for us to collaborate, and Imagine More for our partners, ourselves, the games industry and beyond, whilst supporting the individual cultures that exist within each of our studios and service lines.

Talent and capabilities

We have enhanced our engagement with our 12,000 employees, establishing global town halls, a key communicators network to empower regional management and consistent messaging across the Group. We have also added dedicated resource to address some of the industry's key issues, such as diversity, equity, inclusion and belonging.

We have also put in place dedicated teams to support talent acquisition in an industry where this remains a challenge, yet is critical to our growth trajectory. Internally, we are seeking to develop our talent by expanding our in-game academies and boot camps which offer the opportunity for people to enter or progress within the industry. Longer-term, we are building a pipeline of talent, specifically in India, where we have an agreement with the government to expand our Academy, which is currently focused on art, into game development, taking advantage of the quantity of high-quality engineering talent emerging from Indian universities.

Adjacent markets

Gaming remains our core market, and one in which we see huge opportunity for growth over the coming years. It is still a highly fragmented market, and our focus remains on ensuring we grow our market leading position. However, gaming technologies are increasingly being utilised in other industries, primarily media and entertainment, where virtual production and visual effects (VFX) are increasingly using game engine technology. We believe this shift will present opportunities for us and we are looking at ways to capture these opportunities over time. We already serve elements of this market through our Globalize business, primarily providing dubbing and subtitling services to companies such as Netflix, and have seen strong growth during the year.

The trend towards live operations, with the aim of keeping a game live and engaging consumers for as long as possible, has continued during the year. Across Keywords, we are able to support clients as they nurture games to stay live, and we continue to augment the Group to deliver the right offering for clients in this regard. We have also started to explore ways in which we can service clients in respect of longer-term opportunities such as the metaverse where we see emerging opportunities for the Group.

Chief Executive’s review continued

M&A

Complementary to the five pillars of our strategy is our M&A approach, which has added significant value to the business over the past ten years and something we believe is a key differentiator for us. In 2022, we completed five high-quality acquisitions in the US, Australia, Canada and Italy, meaning we have now completed over 60 transactions in the past 10 years. In that time, we have carefully deployed almost €600m on M&A, predominantly funded from free cash generation, systematically expanding our initial localization and testing offering, into the only service provider able to deliver across the full game development cycle.

We continue to take a strategic approach to M&A and are looking to extend our capabilities and geographical reach in our Create and Engage service lines, as well as scaling our technology offering and exploring opportunities to enter adjacent markets. During 2022, three acquisitions were game development studios (Forgotten Empires, Smoking Gun and Mighty Games), with Mighty Games also bringing an automated testing technology solution, and one in marketing (LabCom). We also acquired Helpshift, which has developed a market leading software-as-a-service customer support automation tool to resolve customer issues in real-time within its clients’ mobile apps and complements our Player Support offering within the Engage service line. In early 2023 we acquired 47 Communications, a leading US-based PR and communications agency to further enhance Engage’s marketing and PR offering.

Russia

Sadly, the humanitarian crisis in Ukraine is ongoing. At the start of 2022, we had one game development studio, Sperasoft, with offices in Russia and Poland, which was purely working for international gaming businesses, rather than serving domestic Russian clients. In discussion with our clients and to support colleagues, in the first half of 2022 we commenced relocating the majority of our people and work from Russia to alternative locations, including Poland, together with Serbia, Armenia and Malta, where we have established new operations.

This was a major project, requiring cross functional support and a project team which has dedicated considerable time and resource to making this transition as smooth as possible for all, with the second half of 2022 having been the key transition phase.

Their efforts enabled us to relocate over 400 people from Russia by the year-end to the new locations in Europe, a true example of what is possible when teams come together in adversity and look for long-term solutions. We have already started to organically grow our headcount in the new locations, with client work having transitioned to alternative locations successfully. In H1 2023, we will continue to look to transition further staff out of Russia, before closing our operations.

Responsible business

Our responsible business agenda is centred around five key areas; our people, planet, community and our clients, underpinned by our commitment to good governance and ethics.

During the year we continued to make good progress with these priorities. In an organisation of over 12,000 people, our people are our largest and most valuable asset and rightly have high expectations of us. A good culture, in which our people feel rewarded, trusted, and included, is critical for our long-term success. We believe that having a diverse workforce is the best way to provide highly creative solutions for our clients and have made meaningful progress in establishing this. We have renewed our partnership with Women in Games after a successful first year of our ambassador programme and have a full schedule of events planned for 2023.

In 2022, the Group was composed of 26% women, 73% men, with according to current data, a collective 1% of colleagues identifying as non-binary or declining to disclose their gender (2021: 25%/74%/1%). Our support functions have a more balanced split of women and men (44% and 55%, respectively, with 1% non-binary/not disclosed).

Media and Entertainment

Emmy award winners

Sound Lab, one of our media and entertainment focused audio studios based in Los Angeles, won a Children's and Family Emmy for their work for Maya and the Three. The programme was a nine-part animated fantasy streaming series on Netflix. The team at the studio took home the award for 'Outstanding Sound Mixing and Sound Editing for an Animated Program'.

Gender diversity, and addressing under-representation remain a focus for the Group and Board both across our business and the wider industry. Following changes to Board composition during the year, the percentage of women Directors on the Board at year-end of 29% was marginally lower than in 2021 (30%). We continue to apply inclusive appointment processes, in line with our Board Diversity Policy.

Internally we have created a three-year roadmap with dedicated resourcing to provide more structure to our diversity, equity, inclusion and belonging (DEIB) initiatives and believe we will start to see tangible benefits from this as we go forward. We have also continued to win best workplace awards across the globe, demonstrating the efforts made to make sure Keywords is a great place to work for all.

We have made positive steps in our Sustainable Studios initiative to identify the areas where we can reduce our impact on the planet, something of importance to all our stakeholders. During our review, we identified moving to renewable energy supplies, wherever possible, as having the most significant positive impact, and we are exploring this on a studio-by-studio basis. We made progress in switching tariffs to renewable providers, with 16 of our studios now on green tariffs. Going forward, we will also ensure that all new office and studio space meets modern environmental building requirements.

We are working towards a target of reducing the intensity of our emissions (tonnes of CO_2e per €m of revenue) by 50% by 2030 and in 2022, achieved a 16% reduction. In the meantime, we have continued to expand the greenhouse gas inventory that we report against and, during the year, we offset our 2021 operational emissions through a highly respected carbon offset project in Tanzania.

5

acquisitions completed in 2022

Read more on page 27

We have also continued to make a positive impact through our Keywords Cares initiative, which is an annual central fund which can be applied to match funds raised by our local teams. This year our teams raised over €45,000 for a range of causes across the globe, undertaking our first global initiative in November. It was great to see so many different activities taking place across the Group, with over 35 different charitable and community activities being completed, more than double the number in 2021.

Outlook

We delivered an excellent performance in 2022, demonstrating the strength of our platform and the dedication and hard work of the 12,000 people within Keywords.

Whilst mindful of the increasing uncertainty within the broader industry and potential for foreign exchange movements, we are excited about the opportunity ahead with our business model, highly diversified client base, adoption of technology and geographic reach. We are increasingly well positioned to support our clients in generating engaging content for their leading franchises and trading has started well, in line with our expectations for the year.

We expect to continue to see robust demand for content generation as our clients seek to capture the imagination of the three billion gamers globally. We continue to have a healthy pipeline of acquisition opportunities to broaden our capabilities, geographic footprint and service offerings. This, together with our organic growth, will enable us to continue to grow market share, and build upon our position as the partner of choice for the global video games industry, and beyond.

Bertrand Bodson
Chief Executive Officer

Market review

The video games and entertainment industries are large, vibrant and fast moving. Due to COVID-19, there was a significant acceleration in many of the broader demand and industry trends. These have provided further opportunity for the Group to grow and consolidate its position as the leading services provider to the global video games industry.

Demand trends

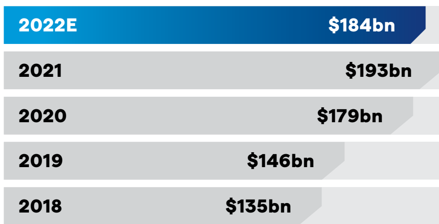
Market spending

Following two extremely strong years, where demand grew over 20% in 2020 and 8% off an elevated base in 2021, trends in gaming spend in 2022 reflected the normalisation of the industry. In November 2022, Newzoo released updated market forecasts for 2022 predicting a 4% decline year-on-year. Key factors contributing to the decline include the impact of privacy changes on mobile spending, fewer AAA releases and the impact of the cost of living increases on disposable income, leading to lower discretionary spend by consumers.

In addition, as the first "post-COVID-19" year, consumers had a range of alternative leisure activities available. With mobile the most impacted by reduced disposable spend, compounded by privacy changes, this market is expected to see a 6% decline in 2022. By comparison, Newzoo forecasts the console market to fall 4% and expects a small increase of +0.5% in the PC market. Although lower than the previous year, it is worth noting that, overall, the total revenue generated from 2020 to 2022 is still $43bn higher than original forecasts and the industry is still 26% larger than pre-pandemic.

Even with the slowing demand backdrop Keywords has continued to experience excellent demand for its services, with organic growth of 21.8%, as there is an ever-increasing need for content development to satisfy consumer demands. With the supply shortages of the next generation consoles largely resolved and a healthy pipeline of AAA and indie releases scheduled for 2023, we believe the demand for new content will continue to be supportive to demand for our services, despite the pressures on cost of living, as publishers and developers look to drive increased player engagement.

Global video game market

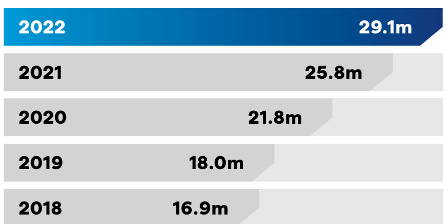


Source: Newzoo estimates

Player engagement

Whilst the overall market value has contracted during 2022, predominantly driven by the mobile market, and to a lesser extent a slower release cycle in the first half of the year, there continues to be growth in key areas of the market. Within the PC gaming market, player engagement through the Steam platform, which is the leading platform through which PC games are distributed and played, has continued to rise. Player engagement increased significantly during the pandemic years, and rather than falling back in 2022, we continued to see engagement rise through 2022, reaching an all-time high in January 2023 of over 33 million concurrent users. This is up from a previous peak of 28 million users in December 2021, or a 17% rise in engagement. At the same time, the number of players "in-game" breached 10 million for the first time in January 2023. In the week prior to the pandemic being declared in March 2020, concurrent players were at just over 20 million, with around 6 million being "in-game".

Average concurrent players on Steam



Source: SteamDB

Industry trends

External partnerships

The video gaming market has historically conducted the majority of the game development cycle in-house, for a variety of reasons. Over the past 25 years, Keywords has been at the forefront of the liberalisation of the industry, as publishers and developers increasingly utilise external partners to support the launches of their games. This process started with the more functional or specialist areas of the game development cycle, such as audio, testing and localization and in aggregate external providers now account for around 50% of these segments. This trend has accelerated in recent years as the video games publishing cycle requires significant and skilled resources to deliver increasingly complex projects to a tight timeline.

Games publishers and developers are either unable to, or are seeking to avoid, expanding their own teams and a higher proportion of work is being entrusted to third party service companies like Keywords.

Over the past few years Keywords has built a significant game development platform around the world. We now have one of the largest game development teams in the world and with our reputation for high-quality service, we believe we will benefit from our position as the market's leading provider of scale, as there is a trend towards increasing partnerships at a more strategic level. This includes a growing demand for co-development and full game development services, and we are investing to continue to grow our offering and increase our market share.

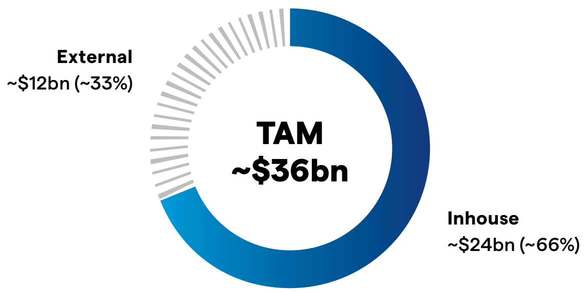
As we operate in a highly fragmented market, our position as the only service provider of scale with depth and breadth in all areas, means we are uniquely placed to support our customers' needs whilst also consolidating the market. Industry players are attracted to joining the Group as they see the benefits of our stability, access to a wider customer base and service offering. Our continued M&A success means we are increasingly benefiting from our scale relative to competitors, and we believe this will enable us to get closer to the largest players in the industry as they look for support on their large-scale complex projects going forward.

Addressable market

Following work completed with the research company IDG, we believe that Keywords' addressable market in video game content creation stood at ~US$36bn in 2022. Of this work, broadly one third, or ~US$12bn, is completed by service providers, with Keywords being the largest player. Our 2022 revenue of €691 million implies our market share has grown to ~6% of the market, with the second largest player in the market believed to be around one third of our size.

The total addressable market (TAM) is expected to grow faster than industry growth levels as the trend towards external providers continues and the level of technical support increases. IDG forecasts that this growth will average around 9% over the next five years, compared to industry growth averaging around 5%. Game development remains the most internalised service, with around 20% of the market taken up by external provision and IDG expects this will be a key area of growth going forward, even with the current trends in the market.

We also continue to see game engine technology, which underpins our industry, increasingly being used in other markets to improve their processes. In the media and entertainment space, we have seen virtual production, which uses game engines to render the backgrounds onto large, high resolution LED screens, increase in use and we also see potential in visual effects (VFX) and animation. These trends will remain supportive over the medium-term and provide an opportunity for us to utilise our expertise in broader sectors over time.



We operate in a large, highly fragmented industry, where the medium-term growth prospects remain highly exciting."

Bertrand Bodson
Chief Executive Officer

Business model

Creating value by driving long-term sustainable growth

1

Barriers to entry

Scale and flexibility
Customers increasingly need large reliable suppliers with flexible resourcing to match their needs, allowing scaling up and down to meet demand, mirroring the seasonality of games production.

Reputation for quality
At the heart of our culture is our commitment to quality, reliability and integrating with our customers' processes, promoting long-term customer relationships.

Knowledge and expertise
Our talented people have deep games-specific knowledge and experience, enabling them to add value to our customers' games at all stages in the development lifecycle.

Global presence
Providing access to the best talent enables us to deliver projects across studios in multiple time zones, allowing global workflow capabilities while remaining close to our customers.

Technology
Necessity of regular investment in technology and security makes it difficult for smaller suppliers to compete. The importance of resilience and security is demonstrated by our robust IT infrastructure.

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.

2

What we do

We Create

1

Game Development
Includes full and co-development, porting and remastering, tool development and consulting services

2

Art Services
Creation of video game graphical art, including concept, 2D and 3D asset production and animation

We Engage

8

Player Support
Holistic multilingual support delivered in game, on digital community and social platforms and through our proprietary tech platform, Helpshift

7

Marketing Services
Creation of game trailers, marketing art and materials, PR and full brand campaign strategies

At Keywords, we are using our passion for games, technology and media to create a global, integrated services platform of scale for video games and beyond.

By working as their external development partner, we enable leading content creators and publishers to leverage our expertise.

Our presence across the full game development cycle creates multiple opportunities to support our clients though the below service lines.

We Globalize

3

Audio Services

Multi-language voiceover recording, original language voice production, music management and sound effects

4

Functional Testing

Quality assurance, testing for defects, compliance with hardware/platform specifications, as well as test automation tools and services

5

Localization

Translation of in-game text, audio scripts, cultural and local adaptation, accreditation, packaging and marketing materials in 50+ languages

6

Localization Testing

Testing for out of context translations, truncations, overlaps, spelling, grammar, geopolitical and cultural sensitivities and compliance requirements

3

Creating value for our stakeholders

Shareholders

Consistent track record of delivering revenue and profit growth, augmented by value creating M&A.

35%

five-year revenue CAGR

Customers

Deepening and broadening our relationships with our clients.

150

customers taking three or more services

Employees

Growing scale and diversity of our teams within the supportive One Keywords culture.

17%

increase in average number of employees in 2022

26%

of workforce are women

Environment

Minimising our impact on the planet through Sustainable Studios programme.

16%

GHG intensity reduction in 2022

Communities

Increasing community involvement and support for good causes.

38

projects supported, more than double 2021

Our strategy

Imagine More...

In 2022, we set out how we intend to build on our strong foundations to further unlock Keywords' considerable potential and deliver an ever-more compelling proposition globally for our partners in the video games industry, and adjacent content markets.

Our strategy from

2019 to 2021

Cementing our position

Cementing our position as the "go to" technical and creative services provider for the global video games industry.

1 **Building our platform**
Growing the number of services and locations within the organisation to create a full service offering for our clients.

2 **Selective acquisitions and integration**
Extending the Group's service capacity, capabilities and geographical reach in order to serve our client base.

3 **Organic growth and cross selling**
Driving the organic growth of the service lines and increasing the number of clients taking three or more services.

Key achievements for the period

27% Revenue CAGR

22% increase in employees CAGR

21 acquisitions completed

2022 and beyond

Moving to the next level

Our key areas of focus to take Keywords forward and to drive accelerated sustainable growth and opportunity are:

- **Strategic partnerships**
- **Technology**
- **One Keywords**
- **Talent and capabilities**
- **Adjacent markets**

1

Strategic partnerships

We are developing deeper strategic client partnerships at all levels to create and capture more value together, driving success for our clients and more demand for Keywords' services.

Priorities

Managing our top 25 strategic partners

As the leader in the industry, we already work with 24 of the top 25 games publishers and all of the top 10 mobile publishers.

A clear theme from our client discussions is to elevate our relationships, make them more strategic and enhance our ability to cross-sell solutions that benefit their needs as the industry evolves.

Progress

- Commenced strategic partnership reviews with key clients to share and discuss ambitions for the mid-to-long term.
- Created consolidated client IP-level data views providing clearer total relationship insight.
- Improved internal capability to support collaborative responses to client requests.

Developing our strategic partnering capability and capacity

We have enhanced our capability to deliver a more coordinated end-to-end offer to meet our clients' longer-term needs. By facilitating greater cross service line and studio collaboration, we aim to capture more value for all throughout the content development lifecycle.

Progress

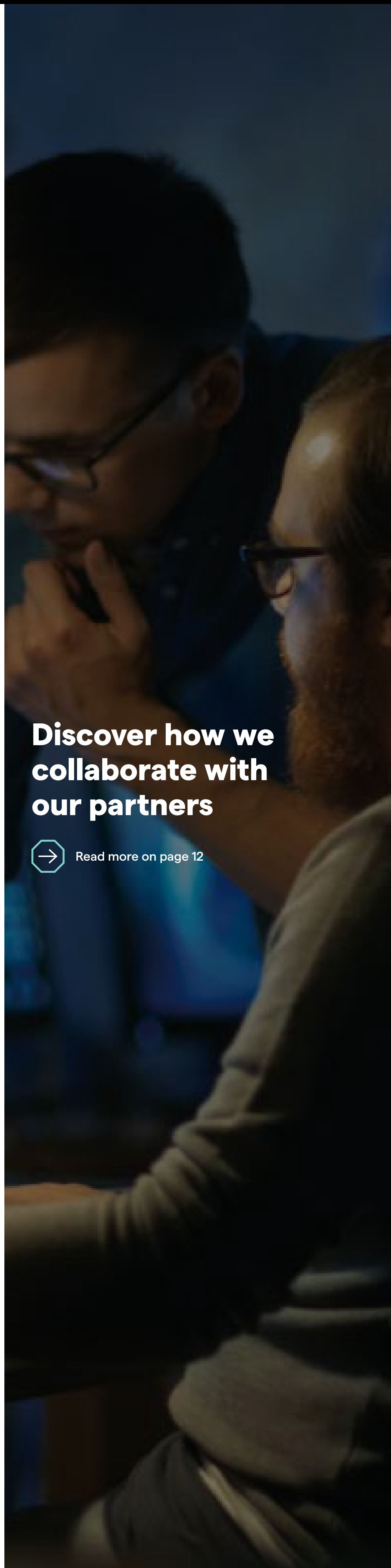
- Introduced Client Partner roles to lead overall relationships with our strategic partners.
- Integrated Solution Producers now coordinate the delivery of complex cross service line solutions for clients.
- Established Service Line Architects to create value-based solutions based on deep client and industry knowledge.

Lighthouse deals

We are targeting the generation of 5–10 multi-service line, long-term engagements with key players in the industry that create and deliver improved solution offerings and strategic advantage.

Progress

- Enhanced capability to deliver cross service line bid responses to support clients' needs.
- Ongoing discussions with a range of clients about complex multi-service line projects.



Read more on page 12

Our strategy continued

2

Technology

We are harnessing new and existing technologies to enable Keywords to work smarter, do more for our clients and stay at the forefront of the industry. This includes broadening our use of AI, Machine Learning and automation across our global platform enabling us to scale and enhance our offering.

Priorities

Internal tech spine

While we have robust systems already in place, we are strengthening our internal capability to support ongoing growth and our ability to deliver larger, more complex work ever more seamlessly through better integration of our systems across the business.

Progress

- Dan McCormick joined as Chief Digital and Information Officer to spearhead deeper integration of technology across the Group.
- Enhancing our systems to provide richer insights and reporting capabilities as well as supporting cross service line collaboration.
- Scaling proven systems across our global platform for more integrated planning and delivery.

Service line automation

We have been identifying and investing in automation opportunities and proven capabilities across our service lines to enable us to deliver more for clients. When appropriate, we will augment our offering by acquiring innovative technology to develop.

Progress

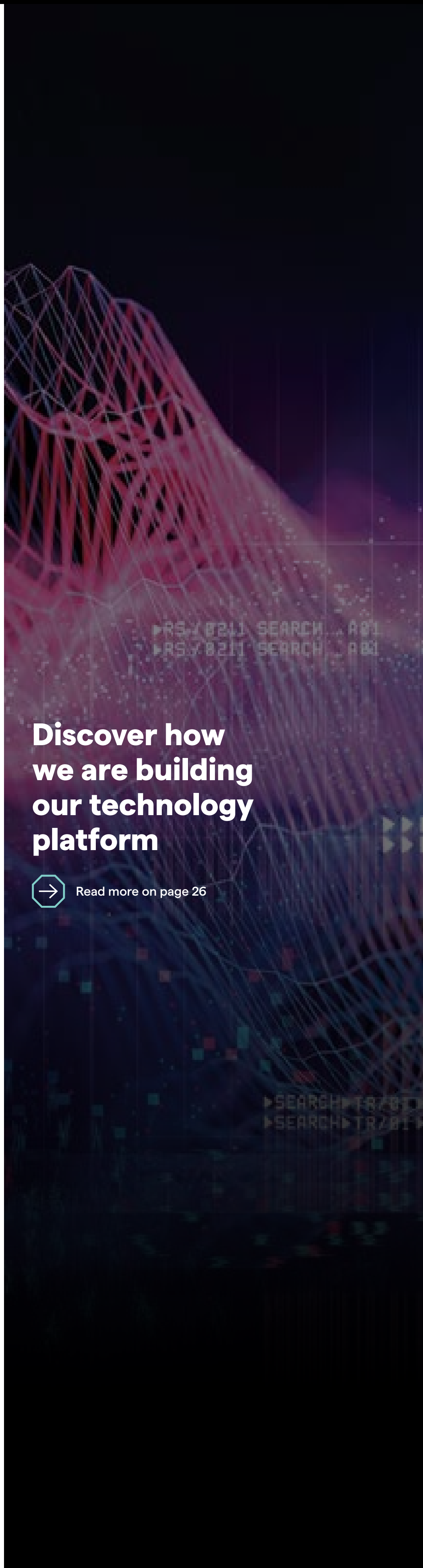
- Built and expanding an end-to-end automated solution for a key client to enhance their localization using our KantanAI technology to deliver translations in over 30 languages.
- Acquisition of Mighty Games brought a proprietary AI-based testing technology platform to complement our existing capabilities.
- Acquisition of Helpshift has provided a propriety customer support AI automation tool to resolve issues within clients' mobile apps, complementing our Player Support capabilities.

Innovation

Innovation is very much part of the entrepreneurial spirit of our 70+ studios with many smart solutions already adding value to clients across our global platform. We have a global initiative to leverage our shared innovation mindset and activity across Keywords to ensure we have the best technology and solutions in each of our service lines and remain at the forefront of the industry.

Progress

- Created a dedicated stand-alone innovation team led by an Executive Committee member.
- Launching Labs @ Keywords Studios to identify and develop future tech-based solutions.
- Integrating KantanAI into Helpshift to expand the number of languages supported on platform.



Discover how we are building our technology platform

Read more on page 26

3

One Keywords

We are galvanising the Group's "One Keywords" culture of entrepreneurialism and collaboration to make it easier to navigate our comprehensive service and studio platform and facilitate more collaboration and scalability.

Priorities

Values and leadership principles

Developing our shared cultural values and leadership principles to facilitate platform growth.

Progress

- Launched new Leadership Principles capturing the essence of the Group, while retaining unique studio characteristics.
- Established Key Communicators network to enhance engagement and enable transparent and open communication across the Group.
- Established quarterly Group-wide town hall sessions to share organisation-wide key themes.

Spine business partnering

One of the key strengths of our business is its entrepreneurial spirit. To retain this, we are amplifying the voice of the studios to ensure we have a global platform that combines invaluable local knowledge with the benefits of our strong 'spine' of shared services to support the growth of our studios.

Progress

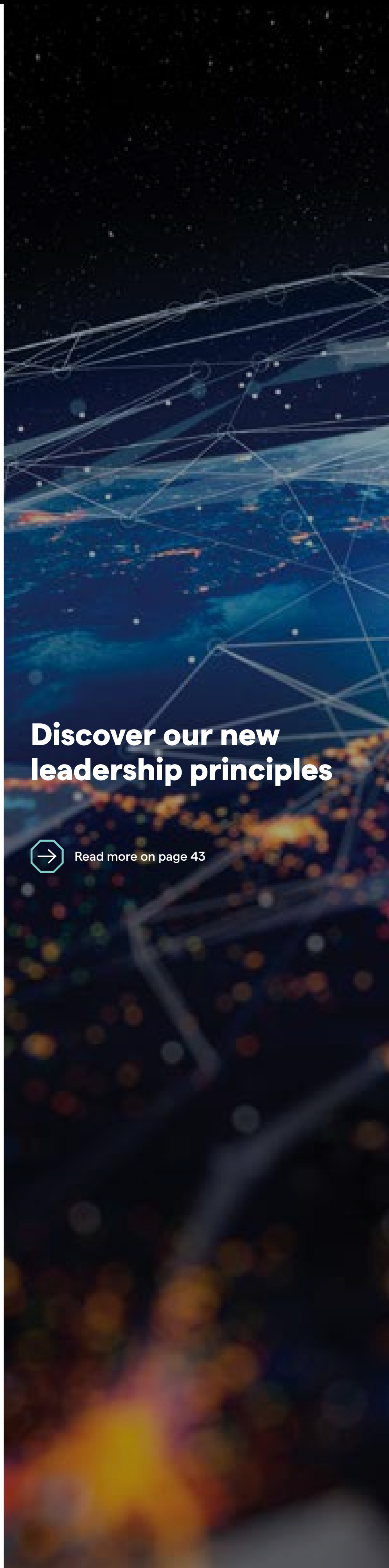
- Introduced a regional hub model to create centres of excellence.
- Scaled our strategic and tactical Shared Services to empower every studio with the expertise of the Group.

M&A integration

Enhancing our strong track record of M&A execution with deeper integration of post-transaction processes to support future value creation and realise synergies.

Progress

- Development of updated M&A integration memorandum.
- Creation of a London marketing hub, bringing all recently acquired studios under one roof to enhance collaboration.
- Encouraging collaboration between newly acquired studios and other locations and service lines to identify opportunities to expand services and create new integrated solutions.



Discover our new leadership principles

Read more on page 43

Our strategy continued

4

Talent and capabilities

We aim to establish Keywords as the destination for talent and career development in the industry. Our goal is to enhance our employee value proposition to support the growth of our global and increasingly diverse workforce. We will do this through talent acquisition and development, effective communication and engagement, and a broadening of our DEIB initiatives.

Priorities

Compensation and benefits

We are working on aligning and better communicating our incentives.

Progress

- Mid-year review and benchmarking of compensation across the globe.
- Remuneration Committee review of pay scales and incentives emphasising fair pay and rewarding strong performance.
- Evolving emphasis of long-term awards at the service line level to provide clearer link between performance and reward.

Specialised recruitment and development pathways

We are investing in and expanding our talent acquisition and development success stories across our global footprint to enable our studios to grow faster, particularly within strategically important capabilities like Game Development, where demand and competition for talent is more pronounced across the industry.

Progress

- Established a global talent acquisition team modelled on the successful approach used at Snowed In Studios.
- Building out our talent development strategy based on our new Leadership Principles.
- Piloting leadership skills training in partnership with a leading industry provider.

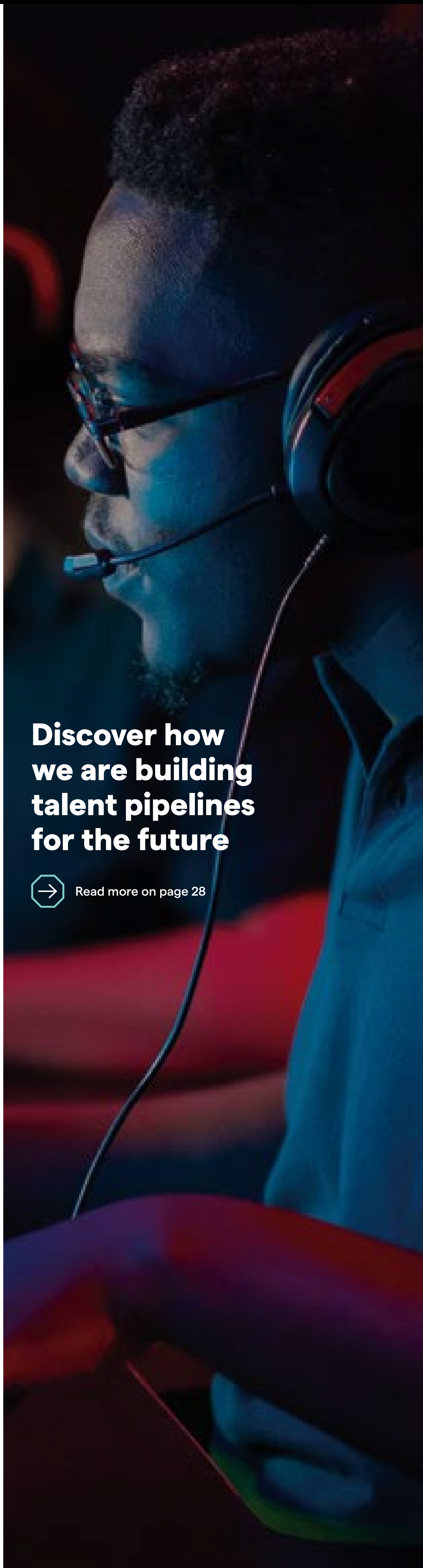
Keywords academies

Expanding our talent development across our global footprint to offer the best opportunities for talent, aligned with in-demand industry growth areas.

We are also seeking to replicate the success of our Art Academy, which has been highly successful in developing talent for our studios in India, by creating training courses to develop a further pool of talent to support studios around the world.

Progress

- Memorandum of Understanding with the National Skill Development Corporation in India to jointly fund, promote, and support the expansion of the InGame Art Academy, to develop a further pool of talent to support our game development studios around the world as part of our Destination India initiative.
- Expanded Bootcamps which look to provide those with some industry experience in games with the skills to become 'AAA' game developers.



Discover how we are building talent pipelines for the future

Read more on page 28

5

Adjacent markets

We are leveraging the Group's capabilities to target closely adjacent markets that are increasingly utilising video games expertise, that naturally fit with our current offering, or where we can transfer our gaming experience to other close verticals.

Priorities

Live operations

We are developing a dedicated LiveOps offering, to build on our existing offering, as an increasing proportion of games are released as Games as a Service (GaaS), where content is constantly iterated and developed.

Progress

- Expanded our Lively studio in Leamington Spa focused on LiveOps offering.
- Broadened LiveOps capabilities through the acquisition of Smoking Gun in Vancouver.
- Investing in our data and analytics capabilities.

Media and entertainment

The TV/film market is predicted to be almost $150bn by 2025 (Source: IDG Consulting 2021) and we are seeing convergence of both the customer base and the technology, with game engines increasingly being used to create content through virtual production and animation.

Progress

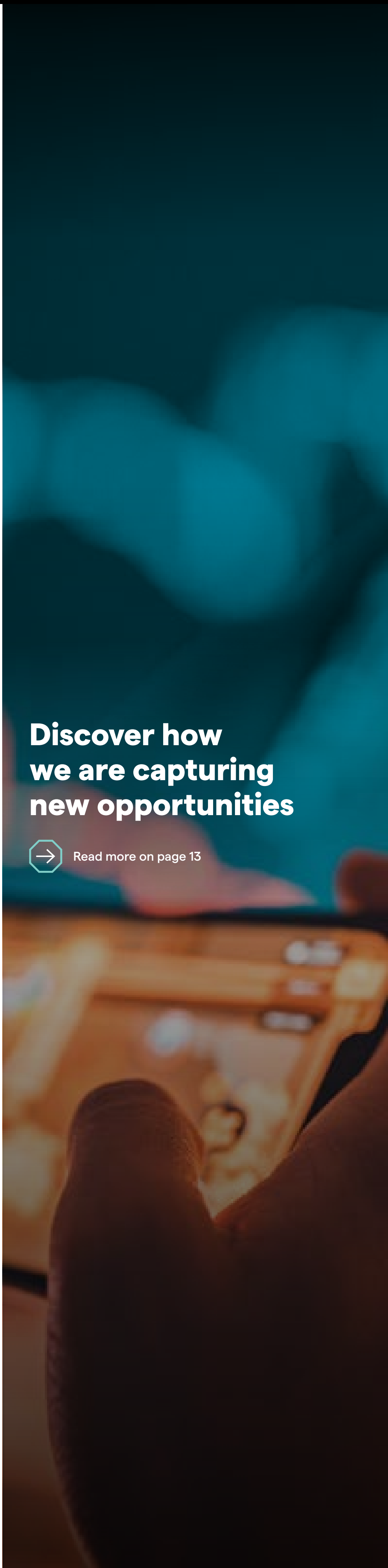
- Demonstrated our in-house Virtual Production (VP) skill set through the end-to-end production of video using VP techniques.
- Investing in broadening current audio offering to media and entertainment clients.
- Exploring M&A opportunities to leverage game engine capabilities in the media and entertainment space.

Metaverse

Opportunity to leverage our existing service propositions to meet metaverse requirements such as large-scale art, live Q&A, and player/user support or act as a consultant to large non-gaming brands and render their proposition digitally.

Progress

- Developing metaverse presence to use as a test bed for future support.
- Continue to review opportunity set to support clients' needs in the metaverse.



Read more on page 13

Strategy in action

Imagine More

techno

Embracing new and existing technologies to enable Keywords to work smarter, do more for our clients, and to enable us to stay at the forefront of the industry, is critical to our long-term success.

Read more on page 22

Keywords Studios
Imagine More

Case study

Building our technology stack

During 2022, we made technology one of the key areas of focus for our M&A activity and successfully completed two acquisitions that significantly built out our technology platform. Both acquisitions were different to our normal profile in that the solutions they provide are highly scalable and have the potential to automate traditional processes in the game lifecycle, whilst being highly complementary to our current offering.

Mighty Games brought an innovative set of AI-led tools to help developers go from build to test using 'zero touch' tech and automation. These tools automatically test the quality of code on multiple machines and produce automatic feedback on defects, bugs and errors. Currently focused on mobile games, we are investing to broaden the TestBot's capabilities into other game engines and will be able to utilise it within our internal processes to give our clients a further quality control oversight, as well as providing it as a solution to clients' internal development studios.

Effective customer support is at the core of making sure a player remains engaged, and with Helpshift's combination of smart segmentation and conversational AI, we are able to facilitate a positive customer support journey without leaving the game. Helpshift can either solve an issue outright, or direct the customer to one of our 2,000 agents to provide tailored support in the consumer's own language, thanks to the capabilities of KantanAI, our machine translation solution.

We will continue to broaden our technology stack and are integrating technology to enhance our offering and increase automation to support the scaling of our business as a key part of our long-term strategy.

Link to strategic pillars

Strategy in action continued

Imagine More develop

Building on the success of our InGame Art Academy in India, we are looking to provide opportunity and development for graduates within the exciting and ever-evolving game development industry.

Read more on page 24

Keywords Studios
Imagine More

Case study

Strengthening our talent pipeline

In an industry where there is a significant shortage of available talent, we have a long track-record of developing our own.

Our Lakshya art studio in India, has grown from 270 people in 2014 to over 700 people across four cities today. A large part of their growth has been through their highly successful InGame Art Academy, where we have offered structured training programmes to graduates. As part of this we also run programmes designed especially for women to encourage more women to be part of the industry.

In 2022, we decided to expand the academy concept into Game Development, given the critical shortage of talent, and to take advantage of the near one million engineers graduating in India each year. In collaboration with a number of our game development studios in the UK, Australia and US, and in conjunction with the Ministry for Skills Development and Entrepreneurship, we have built on the learnings from the Art Academy and created a tailored programme that provides specific training for recent graduates to be able to work in the video gaming industry.

This isn't an overnight process, and once they have graduated from the academy, we will continue to train the graduates to enable them to provide the quality of output that our studios require to satisfy our clients and create a long-term career in the industry.

Link to strategic pillars

Strategy in action continued

Imagine More

opportu

Imagine working with the biggest titles and best people in the industry.

Human talent is our most valuable resource and as a business we thrive on diversity and collaboration, and work as teams to create world-class entertainment and empower people to fulfill their potential.

Read more on page 46

Keywords Studios
Imagine More

Case study

Supporting diversity and representation in gaming

The video games industry has not traditionally attracted or retained a diverse talent pool and we believe we have a key role to play in making it a more attractive career choice for people of all backgrounds and characteristics.

Whilst still early in our journey, we are already seeing notable progress in certain areas of our business around gender equality. One of our UK studios, Lively, which started life as part of Electric Square, already has a workforce of 70 people having been operating for only two years. Importantly, 37% of those staff are women and over half of those women have been hired or promoted into senior or leadership roles, including two of Lively's directors.

In India, in what has traditionally been a workforce of predominantly men, we saw the first all-woman cohort go through our InGame Art Academy during 2022. This was part of a specific initiative targeted at increasing the participation of women in the space. The women completed a three-month paid internship programme, with the curriculum designed for women who aspire to excel in 3D Game Art, providing the support and inspiration for them to leave a mark in the industry once they are fully employed at Lakshya.

Members of our team have also been instrumental in setting up the Women in Games (WIG) chapter in Asia. Keywords is the proud sponsor of the Women in Games Individual Ambassador programme, with 30+ Keywordians part of this community of women making an impact within the industry globally. This creates a strong foundation for us to continue to drive the agenda in the coming years, and expand our support for more underrepresented groups.

Link to strategic pillars

Key performance indicators

We monitor our financial performance against a number of different benchmarks and these are set in agreement with the Board.

Revenue growth

34.8%

2022	34.8%
2021	37.1%
2020	14.4%
2019	30.2%

Reasons for choice
Quantifies the growth in revenue from our operations on a reported basis.

How we calculate
Increase year-on-year in reported revenue.

Objectives
The Group aims for continued revenue growth and development.

Organic Revenue growth

21.8%

2022	21.8%
2021	19.0%
2020	11.7%
2019	15.5%

Reasons for choice
Due to the number of acquisitions the Group makes, and because it integrates them quickly, this provides the most meaningful measure of underlying revenue growth.

How we calculate
Organic revenue at constant exchange rates is calculated by adjusting the prior year revenues, adding pre-acquisition revenues for the corresponding period of ownership, and applying the prior year foreign exchange rates to both years, when translating studio results into the euro reporting currency.

Objectives
The Group aims to achieve Organic Revenue growth in excess of 10% per annum over the medium-term.

Gross margin

38.7%

2022	38.7%
2021	39.1%
2020	38.0%
2019	36.8%

Reasons for choice
The Board believes this to be a consistent measure of trading performance.

How we calculate
Revenues from services supplied to customers less cost of sales, as a percentage of revenue.

Objectives
The Group aims for gross margins in line with historic norms.

Adjusted operating costs as a % of revenue

17.4%

2022	17.4%
2021	17.6%
2020	18.1%
2019	19.2%

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

How we calculate
Administration expenses, adding back non-operating costs including share-based payments expense, costs of acquisition and integration, amortisation of intangible assets, depreciation and impairment, non-controlling interest and deducting bank charges, expressed as a percentage of revenue.*

Objectives
The Group will continue to seek to control these costs closely and in line with the level of business being generated.

Link to strategic priorities Strategic partnerships | Technology | One Keywords | Talent and Capabilities | Adjacent markets

Adjusted EBITDA margin

21.3%

2022	21.3%
2021	21.5%
2020	19.9%
2019	17.6%

Reasons for choice
Provides an indication of how we are performing both internally and relative to our peers.

How we calculate
Comprises EBITDA (operating profit, adjusted for amortisation of intangible assets, depreciation and impairment, while deducting bank charges) adjusted for share-based payments expense, costs of acquisition and integration and non-controlling interest, as a percentage of revenues.*

Objectives
The Group aims to increase margins through operational efficiencies.

Adjusted profit before tax margin

16.2%

2022	16.2%
2021	16.8%
2020	14.7%
2019	12.5%

Reasons for choice
The Board believes this to be a consistent measure of trading performance, aligned with the interests of our shareholders.

How we calculate
Comprises profit before taxation adjusted for share-based payments expense, costs of acquisition and integration, amortisation and impairment of intangible assets, non-controlling interest, foreign exchange gains and losses, and unwinding of discounted liabilities.*

Objectives
The Group aims for margins in line with historic norms.

Adjusted cash conversion rate

100.1%

2022	100.1%
2021	107.3%
2020	97.2%
2019	80.2%

Reasons for choice
Measures operating cash generation and our capacity to pay dividends, service debt and fund acquisitions.

How we calculate
Adjusted free cash flow before tax as a percentage of the Adjusted profit before tax. The calculation is described in more detail on page 170.

Objectives
Cash generation and working capital management will remain a key focus.

Growth in Adjusted EPS

27.2%

2022	27.2%
2021	46.5%
2020	24.9%
2019	7.2%

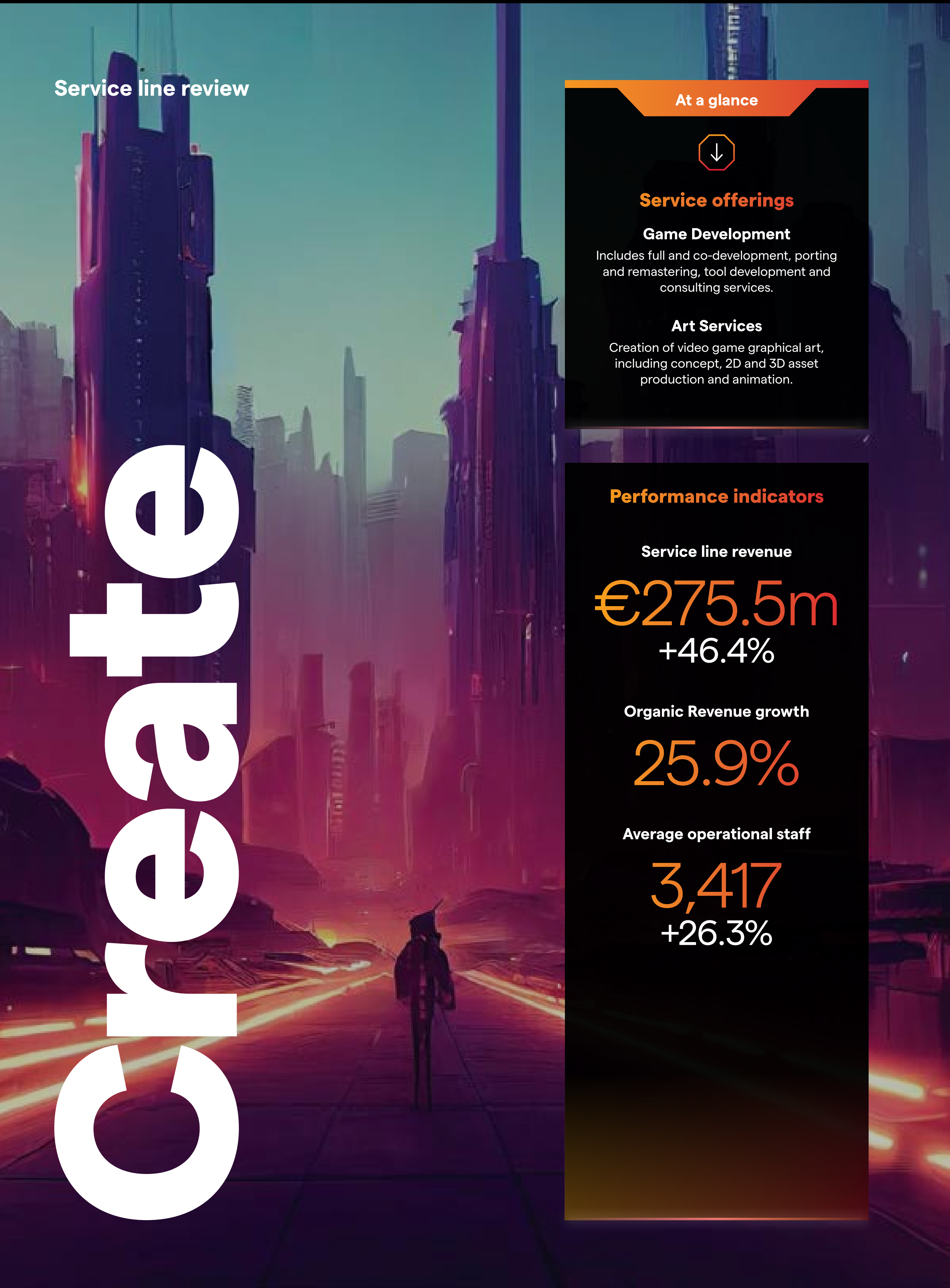
Reasons for choice
Reports the underlying profit growth generated on a per share basis, demonstrating the value being created for shareholders.

How we calculate
The Adjusted profit after tax comprises the Adjusted profit before tax, less the tax expense as reported on the Consolidated statement of comprehensive income, further adjusted for the tax arising on the bridging items to Adjusted profit before tax.

The Adjusted earnings per share comprises the Adjusted profit after tax divided by the non-diluted weighted average number of shares as reported in note 8.

Objectives
The Group aims for continued growth in Adjusted earnings per share.

* In 2020, in order to present the measure consistently year-on-year, the impact of COVID-19 government subsidies claimed is also excluded.



Service line review

Create

At a glance

Service offerings

Game Development
Includes full and co-development, porting and remastering, tool development and consulting services.

Art Services
Creation of video game graphical art, including concept, 2D and 3D asset production and animation.

Performance indicators

Service line revenue
€275.5m
+46.4%

Organic Revenue growth
25.9%

Average operational staff
3,417
+26.3%

The Create service line combines Art Services and Game Development to deliver a range of services to clients and partners globally. It represents around 3,500 people in 23 studios across 42 cities.

2022 Performance

Create performed strongly during the year, with total revenues up by 46.4% to €275.5m (2021: €188.2m). Organic Revenue, which excludes the impact of acquisitions, grew by 25.9%, as the service line continued to benefit from the strong industry demand for new content creation and the increasing complexity of games.

The performance was driven by strong growth in a number of Create studios, with increased headcount enabling our game development studios to take on more work and meet demand, with the UK and Australia seeing strong growth in particular. In Art Services, we continued to experience very strong performance in Quebec and in our Indian business. We have also begun to benefit from the increased collaboration between Art Services and Game Development, with studios increasingly utilising each other's services to support the needs of clients.

Due to the industry-wide shortage of talent within the game development and art sectors, we have established a dedicated talent acquisition team to complement local efforts and have started a number of local talent development initiatives. These combined efforts, together with our extensive geographic footprint allowing us to hire from around the world, has meant that we have been able to meaningfully grow our Create team during the period, and better support our clients.

Despite Game Development being the most directly affected by the situation in Ukraine, the scale and broad footprint of the business has meant that the service line continued to perform well during the period. During the year, we started to relocate people and work from our single Russia-based business, Sperasoft, to alternative locations in Europe. Sperasoft purely works for international gaming businesses, rather than serving domestic Russian clients.

The majority of this transition took place in the second half of the year, and in total we have moved over 400 people to new locations as of the year end. The situation in Ukraine meant that our initial growth plans for Sperasoft, that had been resourced, could not be fulfilled, and the focus for the year was on completing existing projects and undertaking the transition. This had a meaningful impact on profitability of the business. Due to the successful transition, and pace of new hires in the new locations, we are now able to start to take on new projects as well as continuing to support our existing clients. In H1 2023, we will continue to look to transition further staff out of Russia, before closing our operations. As a result, we will continue to incur costs from the transition into the year, as well as a modest one-off charge relating to the closure.

Revenues derived from Russia represented 3.8% of Group revenues (€26.3m), down from 5.7% in 2021 and in December 2022, represented just 1.7% of Group revenues.

Adjusted EBITDA in Create grew 40.2% to €69.7m in 2022 (2021: €49.7m), with the Adjusted EBITDA margin of 25.3% in 2022 lower than the previous period (2021: 26.4%) due to the impact of the transition of people and work from Russia in the second half of the year. This was largely offset by the benefit of foreign exchange movements.

We welcomed three new Game Development studios this year, Forgotten Empires, the small game development team at Mighty Games and Smoking Gun Interactive. Each of the acquisitions bring different skills and capabilities to our business. Forgotten Empires brings extensive experience in real-time strategy games. Smoking Gun has a long track record in developing highly rated, cross platform games and gives access to talent in Vancouver, a game development hub. The Mighty Games team also support the scaling of our broader Australian business.

	2022	2021	Change
Revenue €m	**275.5**	188.2	46.4%
Organic Revenue growth %			25.9%
Adjusted EBITDA €m	**69.7**	49.7	40.2%
Adjusted EBITDA margin %	**25.3%**	26.4%	

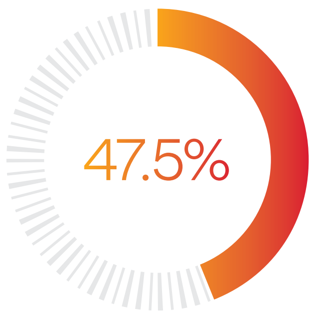
The market opportunity and outlook

The video games market remains robust, with strong player engagement on major platforms and titles. Whilst there is potential for large publishers to have a narrower focus on major titles, we continue to believe there will be a focus on the generation of new content to ensure that players remain engaged for longer.

We expect continued robust demand across our Create service line, as the industry remains capacity constrained in terms of access to highly-skilled talent as games continue to increase in complexity. This has meant that clients are increasingly seeking external support to deliver the required, engaging content for their projects. While we are starting to see a more cautious approach to investment in new games at the beginning of the year, the Create service line remains resilient, due to the quality of our studios and talent, its strong client relationships globally, and the mix of franchises we work on.

Percentage of Group Revenue

Percentage of Group Adjusted EBITDA



Service line review continued

Globalize

At a glance

Service offerings

Audio Services

Multi-language voiceover recording, original language voice production, music management and sound effects.

Functional Testing

Quality assurance, testing for defects, compliance with hardware/platform specifications, as well as test automation tools and services.

Localization

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

Localization Testing

Testing for out of context translations, truncations, overlaps, spelling, grammar, geopolitical and cultural sensitivities and compliance requirements.

Performance indicators

Service line revenue

€300.9m
+29.8%

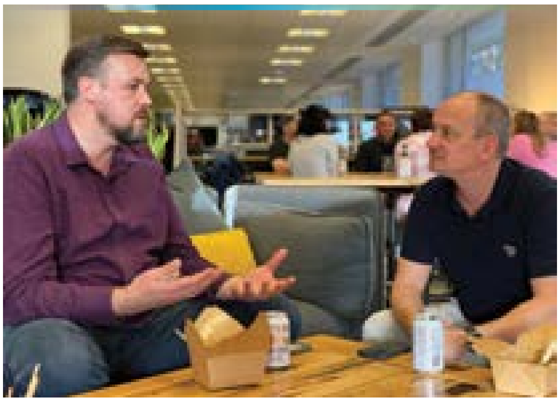
Organic Revenue growth

23.4%

Average operational staff

4,562
+6.9%

Globalize brings together our Audio, Testing and Localization businesses to create a global business with around 5,000 people in 32 studios across 27 cities.



2022 Performance

Globalize performed well in 2022 with total revenues up by 29.8% to €300.9m (2021: €231.9m). Organic Revenue, which excludes the impact of acquisitions, grew by 23.4%.

Each of the lines of business within Globalize performed well during the year, and our increased scale and footprint meant we were well positioned to capitalise on the industry's healthy demand for post-production services, despite it being a slower period for new launches.

In Functional Testing we saw strong growth, as our Polish operations relocated to a new state-of-the-art facility enabling increased recruitment, and Montreal performed well. We also benefited from several large testing contracts in the second half of the year that we were able to fulfil due to our scale and footprint. Our broad footprint across different time zones allows clients access to a global workflow, and access to different cost to serve models. This enables us to continue to mitigate the impact of increasing costs, with considered pricing adjustments. Our footprint also provides the opportunity to grow our talent base and maintain high-quality output for our clients.

Mighty Games was added to the portfolio to be able to offer automated games testing solutions and expertise to our clients. This acquisition illustrates our commitment to utilise technology to provide more value-added services to our client base and stay at the forefront of our industry.

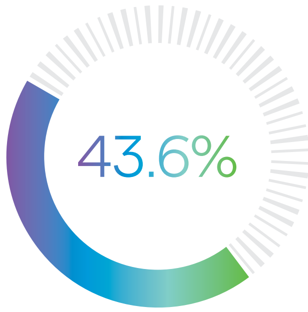
In Localization, performance was also strong as we benefited from the deployment of a specific AI-driven text localization workflow in H1 for a key client. Audio localization saw a good second half of the year, which offset weaker H1 performance from delays to certain projects. Our Audio media and entertainment business continued to grow rapidly as we expanded our capabilities and relationships with several large industry players, including Netflix.

Adjusted EBITDA in Globalize grew 30.0% to €61.6m in 2022 (2021: €47.4m), with the Adjusted EBITDA margin maintained at 20.5% in 2022 compared to 20.4% in 2021.

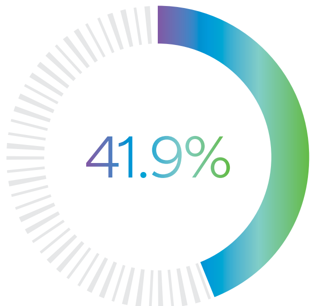
The market opportunity and outlook

During the year we saw the trend towards external service provision continue across each of our Globalize lines of business. We believe that even in a more constrained market environment this trend will continue over the medium-term, as the opportunity to move from fixed to variable costs for certain functions will become more attractive for clients. Due to the scale of the service line we are now able to meet the needs of our largest clients, across the globe, and in a rapid manner, which should further enable us to capture increasing demand across the service line.

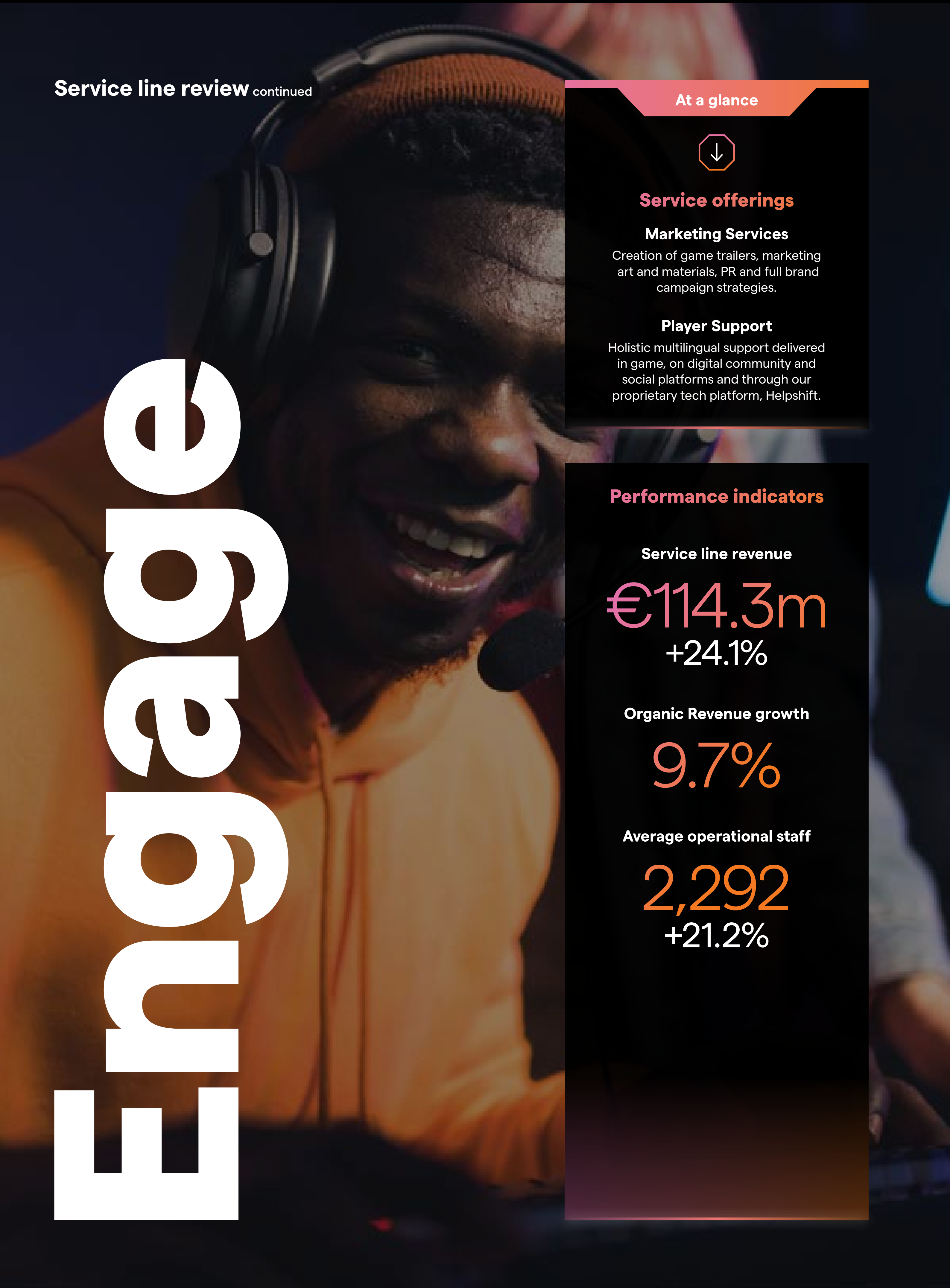
Percentage of Group Revenue



Percentage of Group Adjusted EBITDA



	2022	2021	Change
Revenue €m	**300.9**	231.9	29.8%
Organic Revenue growth %			23.4%
Adjusted EBITDA €m	**61.6**	47.4	30.0%
Adjusted EBITDA margin %	**20.5%**	20.4%	



Service line review continued

Engage

At a glance

Service offerings

Marketing Services

Creation of game trailers, marketing art and materials, PR and full brand campaign strategies.

Player Support

Holistic multilingual support delivered in game, on digital community and social platforms and through our proprietary tech platform, Helpshift.

Performance indicators

Service line revenue

€114.3m
+24.1%

Organic Revenue growth

9.7%

Average operational staff

2,292
+21.2%

Our Engage service line brings together our Marketing Services and Player Support businesses to create a holistic offering focused on player engagement, encompassing around 2,500 people in 29 studios across 23 cities.

2022 Performance

Engage saw robust growth during the year, with revenues up by 24.1% to €114.3m (2021: €92.1m). Organic Revenue, which excludes the impact of acquisitions, grew by 9.7%.

Player Support performed strongly across the year, with the addition of a number of new clients and healthy growth across our top clients. Social Media and Trust and Safety Services also continue to grow and are developing into a key part of our offering. In December, we were delighted to announce the acquisition of Helpshift, which will transform our player support business into a unique market-leading holistic offering for our clients. Helpshift brings a market-leading customer support automation tool to resolve customer issues in real-time within its clients' mobile apps, which together with our existing player support capabilities, and KantanAI machine translation capability, will create an unrivalled player support offering for customers.

Our Marketing studios delivered a more modest performance, in part due to the exceptional performance in 2021, during which the business experienced significant growth of over 150% and organic growth of ~34%. In addition, the 2022 performance was impacted by some client-specific project delays and cancellations, particularly in our North American studios. In December, we were pleased to extend the geographic spread of our PR offering, with the acquisition of LabCom in Italy, complementing our UK-based PR agency, Indigo Pearl and the January 2023 acquisition of 47 Communications in the US opens up opportunities in the world's largest gaming market. Increasingly, our marketing studios are collaborating to provide broader solutions to clients as well as working with player support to provide a holistic offering.

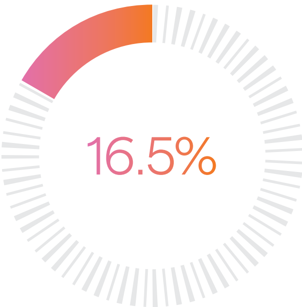
Adjusted EBITDA grew 20.0% to €15.6m in 2022 (2021: €13.0m), with the 2022 Adjusted EBITDA margin of 13.6% slightly behind the previous year period (2021: 14.1%).

The market opportunity and outlook

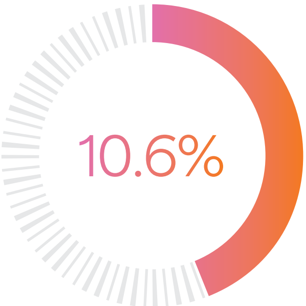
Our ambition for Engage is to create the next generation of connected companies that encompass the marketing, communications, and player-centred aspects of the games industry. This will enable us to offer a holistic solution focused on driving and maintaining player engagement with our clients' games. We will continue to broaden our marketing offerings, both geographically and to ensure that we have all of the capabilities our global clients need.

In Player Support, the nature of the business means that clients need to focus on keeping players engaged and supported within their games. The Helpshift acquisition, whilst early in its integration, provides an exciting opportunity to scale our business, by providing a market-leading solution for clients, although it will take the majority of 2023 before we believe we will be able to demonstrate meaningful traction with clients due to the longer sales cycle in this segment. As highlighted previously, the successful integration of KantanAI, our Machine Translation solution, into Player Support, provides further opportunities for the business to provide cost effective and high-quality solutions to meet industry needs.

Percentage of Group Revenue



Percentage of Group Adjusted EBITDA



	2022	2021	Change
Revenue €m	**114.3**	92.1	24.1%
Organic Revenue growth %			9.7%
Adjusted EBITDA €m	**15.6**	13.0	20.0%
Adjusted EBITDA margin %	**13.6%**	14.1%	

Responsible business review

Imagine More positive impact

We conduct our business responsibly, operating to the highest standards of honesty, integrity and ethical conduct. We take our wider corporate responsibility seriously and are conscious of the role we play in our communities and our impact on the environment. We are very proud of the thousands of Keywordians, across 26 countries, for upholding the highest standards as we engage and grow with our colleagues, our customers and our communities.

Keywords Studios
Imagine More

Highlights

During 2022, we made good progress on our priority areas, with highlights including:

- Renewed partnership with Women in Games Ambassador programme and formalised our DEIB journey.
- Increased net promoter score to 37 across our client base.
- More than doubled charitable and community activities to 38 initiatives across our studios.
- Reduced carbon intensity by 16% and progressed Sustainable Studios initiative.

People Page 42

Our largest and most valuable asset

Priorities

- Employee engagement
- Diversity, equity, inclusion and belonging
- Health and safety
- Training and development

Key highlight

30

employee Net Promoter Score (eNPS)

Planet Page 48

Minimising our impact

Priorities

- Minimising environmental footprint
- Sustainable Studios programme
- Renewable energy sourcing

Key highlight

16%

reduction in GHG intensity in 2022

Community Page 52

Making a positive impact through Keywords Cares

Priorities

- Supporting good causes
- Celebrating across cultures
- Employee support fund

Key highlight

€45.6k

raised for good causes

Client Page 54

At the heart of everything we do

Priorities

- Pursuing strategic partnerships
- Delivering client-led solutions
- Cybersecurity

Key highlight

37

Net Promoter Score (NPS)

Governance Page 55

Setting the highest standards of positive behaviour, honesty and integrity underpins everything we do

Priorities

- Corporate governance and compliance
- Modern slavery
- Tax compliance
- Human rights

Responsible business review continued

01

Our people

People are our largest and most valuable asset. We value them; we trust them and we work with them to support their passion to provide the best service for each project and customer. As a multicultural business, we thrive on diversity, celebrate uniqueness and collaborate as a team across our 70+ studios around the world. We aim to provide a respectful and inclusive working environment free from discrimination and with fair and equal opportunities. The key areas of focus are: employee engagement, health and safety, training and development, and diversity, equity, inclusion and belonging.

Our people

An average of 11,141 full-time equivalent employees made up our global team in 2022, balanced across three regions; 38% in North and South America, 30% in Europe and 32% in Asia and Australia. The number of people and the diversity of skills in our workforce allows us to deploy these resources across the industry to meet our customers' needs.

We have continued to grow the size of the business, both organically and through acquisition, with our average overall workforce growing by 17% during the year, and we ended the year with 11,969 people. It is important to manage this growth accordingly and we have invested in growing our human resources capacity, systems and capabilities as part of this. We have also meaningfully grown our employee engagement initiatives as set out below to make sure that our people remain informed, included and energised at Keywords, as well as taking steps to more deeply embed diversity, equity, inclusion and belonging (DEIB) across our business.

This year we have refreshed our operating principles to be more in line with our strategic priorities, help our employees understand what is expected of them, and to reinforce our common culture across the Group. We believe this will support our hard-won reputation for delivering high-quality service, to demanding deadlines in an ever evolving industry.

UN SDGs

3 GOOD HEALTH AND WELL-BEING

Good health and well-being:
Ensure healthy lives and promote well-being for all at all ages

5 GENDER EQUALITY

Gender equality:
Achieve gender equality and empower all women and girls

8 DECENT WORK AND ECONOMIC GROWTH

Decent work and economic growth:
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

10 REDUCED INEQUALITIES

Reduced inequalities:
Reduce inequality within and among countries

79%
Employee engagement survey response rate (2021: 69%)

30
eNPS (2021: 42)

180+
people in the Key Communicator Network

Our culture

The success of our business is testament to the Keywords culture, and the skills and commitment of our talented and games-passionate employees and collaborators, and as the business scales we continue to curate that culture and ensure it resonates across all aspects of our multi-faceted business. Through our One Keywords initiative we are looking to galvanise the Group's humble culture of entrepreneurialism by facilitating more collaboration through the simplification of structures. We have already seen tangible benefits of these changes, which help us to serve our clients more effectively and ensure our employees get the most out of being part of the Group.

As part of this we have also refreshed our operating principles, replacing the old Rule of Nine, with a simpler set of five Leadership Principles. These are designed as a practical tool that we can apply to everyday working life, whilst supporting the individual cultures that exist within each of our studios and service lines.

Our people, with their drive and talent, make Keywords the global service provider that it is today, and it is essential for us that we continue to foster a diverse organisation and an inclusive culture, which includes welcoming new faces and ensuring they feel just as supported and welcomed as their more established colleagues.

Leadership Principles

Our Leadership Principles act as a practical tool we can apply in our everyday working life, guiding our actions and creating the conditions for us to collaborate, to Imagine More for our partners, ourselves, the games industry and beyond.

Power of partnership

We collaborate with our clients as an extension of their team. With shared passion and purpose, we proactively support them in bringing their stories to life.

One Keywords

We believe in a network with efficiency at its core. Combining the strength of a global platform with the agility of local studios creates our superpower.

Raise the game

We embrace technology, innovation and our entrepreneurial spirit to help our clients and the industry thrive. Leveraging the sum of our experience brings new value to gaming and beyond.

Embrace an open world

We champion diversity of talent and ideas from every corner of our global community. Inclusivity makes us stronger and enables us to deliver world-class entertainment creation to our partners.

Trust through transparency

We pursue open and honest relationships with our people, clients, and communities. Clear and authentic communication is foundational as we create success together.

Our people continued

Health and safety

We care about the health and well-being of our people and endeavour to provide a safe and healthy work environment for all. Our global and local leadership teams are responsible for health and safety in the workplace and all Keywords' people are involved in helping create a positive safety culture to minimise accidents. We do not believe that any task is so urgent as to merit compromising the safety of our people or any visitors to one of our studios.

As part of our efforts to support our employees we have taken a measured approach to returning to the office post the COVID-19 lockdowns and have continued to support our employees based in regions of the world which have experienced major mobility restrictions during the year. Where practical, our studios operate a hybrid work environment, with some studios likely to remain primarily as virtual offices due to employee feedback. We believe our flexible, studio-led approach provides the best balance of ensuring both employees' and clients' needs are met.

We seek to offer progressive and proactive support when it comes to mental health and wellbeing to prevent ill-health and to foster a working environment that facilitates our people to feel and perform at their best. We encourage our employees to take reasonable care of their own and other people's welfare and to report any situation that may pose a threat to the wellbeing of any other person to their appropriate manager.

We have been conscious that the return to offices may have an impact on employees' mental health, both positively or negatively, depending on the circumstances. As such we have increased our engagement around mental health and wellbeing. We have employee assistance programme coverage in many studios, to make sure employees have the best care we can give, and are looking to build a Wellbeing Champions Network in 2023 to create the foundation for future wellness initiatives.

Employee engagement

We undertook our fifth annual survey, and heard from the highest percentage of employees to date with 9,223 of our colleagues responding, representing a 79% response rate (2021: 69%). We believe our improved and increased communications has driven the higher engagement. Compensation in a high inflationary environment, permanent or hybrid work from home solutions and future career plans are all key topics for employees.

In respect of eNPS, our score fell from 42 to 30, although this is still considered to be at the top end of "Good" and is still well ahead of pre-pandemic levels. Generally, organisations saw an uptick in eNPS during the pandemic as employees were responsive to the way that employers reacted to protect them. In 2022, we saw the reverse, as people returned to the office post-COVID-19, and felt inflationary pressures, which has lowered the score. One of the key findings is that there has been a higher degree of passives (score 7-8) than in previous years, and we will focus on turning these passives into promoters with our actions in 2023.

Global Trust and Safety

Keeping players and moderators safe

Keeping players safe and healthy online is an increasingly important facet of the gaming world, and it is more important than ever for game developers to curate positive experiences for their players. At the same time, it is vital to look after those teams who are responsible for moderating those online interactions.

Keywords has set up a dedicated global Trust and Safety team to help ensure our moderation teams have all the necessary tools to keep our clients' players safe online, and, in some cases, real life. This is important because online interactions and their moderation are constantly happening, some of them are entirely positive but many others are not.

Gamers play video games to find a space to hang out with friends and have a fun, engaging experience. With transparent and clear guidelines from our clients, Keywords can act upon cases that prevent players from having the best experience, expanding their community, improving gaming safety and creating valuable experiences for players as well as protecting our clients' reputations.

We deliver customised and specific training to our moderators (or Superheroes as they are known internally), across all of our studios to make sure that processes, actions and well-being practices are adopted and ensure that the everyday mental health of our teams is supported.

We also continue to explore the use of technology to protect players and Superheroes, but where our people come across unlawful and toxic content, we have put in place a process for them to easily access psychological help and to uplift our Superheroes with kindness, empathy, and compassion.

Our ambition is to establish Keywords as a Trust and Safety industry leader, with a full-cycle wellness programme for Superheroes and a partnership network with moderation tech companies in order to benefit our Superheroes, players and our clients.

Whilst eNPS is a clear quantitative measure, we received a range of qualitative feedback through the survey and as we communicate and survey more efficiently, we will be able to better understand areas of focus in need of immediate attention and improvement. We plan to use shorter and more efficient pulse surveys throughout the year to make sure the data on eNPS and other important questions is fresh and relevant.

Over the past year, enhancing our global employee engagement has become a key area of focus for our Chief People and Culture Officer. In order to help with this, our Key Communicator network was established last year and now consists of 180+ managers, leaders and other key roles across the organisation. This network enables transparent and open communication, and was created in order to share pertinent news in advance of a global internal announcement to all employees. Our goal is to empower our Key Communicators and to share knowledge and spark information flow among our teams.

We have also started to undertake global town halls, led by senior management. More than 4,500 of our employees joined each of our three global town halls last year that were held twice in different time zones to accommodate people from all over the globe. In addition to these communication channels, we started using Yammer in January 2022 as an internal communication tool. Since then, we have grown to over 10,000 active members, with 3,500 employees also visiting our Communications Hub every month.

Training and development

Across Keywords, we provide training and development programmes to support the development of our talented employees. The majority of this training, whether management or technical, is embedded within our studios and service lines so that it is appropriate to the function and the professional disciplines involved therein. We have also undertaken Group-wide training on DEIB as we seek to make sure that our language and behaviours build inclusion.

However, there is always more that can be done to invest in our people and to support the development of careers, which is why we have invested in broadening our Art Academies in India to include Game Development, as well as running bootcamps in a range of locations to support people in transitioning their skills into a different area of the industry. Within our testing business we run a level up programme, enabling functional testers who wish to make a career out of testing, the opportunity to take on responsibility and ultimately progress in the organisation. We continue to partner with local institutes and professional bodies with online and in-person management development and skills programmes throughout Keywords.

Integrating acquisitions into Keywords

We have completed over 60 acquisitions as a public company, buying five companies in 2022 alone, across three continents. Whilst we use a range of strict criteria to ensure we only buy high-quality, responsibly operating companies, the critical factor in proceeding with a transaction is the cultural fit. We want the businesses we buy to thrive post acquisition, and they will only do that by having people who feel that they belong within the Group. We respect the history and individual culture that each new studio brings to Keywords whilst making sure they feel a part of our long-term success. The benefits of this approach are evident by the fact that a significant proportion of our broader executive team joined us through acquired companies.

Great Place to Work

We continue to work hard to make Keywords a great place to work, with our initiatives increasingly recognised. As an example of this, we are delighted that both our D3T Studio in Runcorn and Indigo Pearl in London were included in GamesIndustry.biz's 2022 Best Places to Work Awards. Keywords Studios in Mexico has been awarded the Socially Responsible Company (SRC) badge and Keywords Studios Manila has recently been recertified as a Great Place to Work in the Philippines with 91% of employees saying it is a great place to work. D3T was also awarded the title as Best Creative Provider at the Develop Star Awards in Brighton, with Keywords Studios being awarded Best QA and Localization Provider.

Staying connected

In 2020, Keywords started a partnership with our art studios to create a series of gratitude e-cards, allowing our people to send personalised thank you e-cards to other employees for their help and continued support. With a focus on inclusivity, we expanded the programme to include seven language options, offering a new set of card designs and messaging each quarter, from celebrated holidays and fun, to care and wellbeing. Over 20,000 gratitude e-cards were sent to employees, from each other, throughout the year, a significant increase from the 4,500 cards sent in 2021.

Our people continued

Diversity, Equity, Inclusion and Belonging (DEIB)

Keywords is a team of ~12,000 employees spread over 70+ studios serving a global gaming community. Diversity is a key feature of our identity, and we are committed to building a more diverse and inclusive Group, with equitable practices and processes, where our people can feel proud to belong. We set up our first Global Diversity and Inclusion Council in 2020 and since then we have been on a purposeful diversity, equity, inclusion, and belonging journey. We are in a stage of learning and building, focusing on establishing a strong base for our DEIB programme for 2022-2025 and catalysing industry impact through our partnerships.

In 2022 we accelerated this process by hiring the first dedicated member of our DEIB Team, and in 2023 this role will be expanded to lead our global DEIB efforts. Over the year we refined our DEIB operational model, established governance and reporting processes and set out our roadmap of activities to 2025.

Keywords has slightly increased the proportion of women across the Group, up from 25% in 2021 to 26% in 2022. According to current data a collective 1% of colleagues identify as non-binary or decline to disclose their gender and 73% are men. Our Shared Services teams have a more balanced split with (44%) women and (55%) men. Within our service lines, Create has the lowest proportion of women, with our media and entertainment business, within Globalize, having the highest, at over 50% women.

Our DEIB talent acquisition and talent development activities are designed to address under-representation. Recognising that the video games industry has not traditionally attracted or retained a more diverse talent pool; it is essential to focus on looking for opportunities to highlight Keywords, and the gaming industry as a whole, as an attractive career choice for a diverse range of talent. Following changes to Board composition during the year, the percentage of women on the Board was 29% at year-end (2021: 30%).

26%
% women in the organisation
(2021: 25%)

33%
% women in leadership roles (Exco + Direct Reports)
(2021: 33%)

29%
% women on the Board
(2021: 30%)

UN SDGs

5 GENDER EQUALITY

Gender equality:
Achieve gender equality and empower all women and girls

We reached some important milestones over the year, especially in terms of communities. We established our first Keywords Affinity Group, Women @ Keywords and are now growing this globally. This is in addition to our Asia Women's Empowerment Programme, which is designed to support women and increase their presence in leadership roles within Keywords. The empowerment programme is now in its second year, with participants consistently reporting positive career impact.

A global inclusion calendar of events and awareness raising was implemented spanning the whole of 2022. In March we celebrated International Women's Day with local and global events, such as the #Breakthebias Women's Summit, and kicked off nominations for the Inspiring Women at Keywords project.

June to August was Pride season at Keywords; with studios participating in parades, hosting events, fundraising, and sharing knowledge. A key part of this is supporting our Keywords and gaming industry communities, ensuring Keywordians of all sexual orientations, gender identities, and gender expressions feel welcomed and appreciated whilst acknowledging the discrimination and inequalities the LGBTQ+ community continues to face.

2022 was also a time of learning, with training and learning sessions covering DEIB themes. A Dignity at Work course was launched across Europe for colleagues and managers to foster a safer and more inclusive Keywords. Towards the end of the year a global inclusive language course and style guide for Keywordians was released to facilitate inclusive communications across the Group.

Our Global Diversity and Inclusion Council continues to represent voices from around Keywords, with growing regional chapters. The Council provides invaluable insights and support in the development of the Keywords DEIB programme.

Celebrating Pride

Waste Creative merchandise

Waste Creative marked Pride Month in June with the launch of a bespoke range of merchandise, created by its in-house creatives and designers. All proceeds from sales went to a UK-based charity providing support for gender-diverse kids, young people and their families.

Accessibility in video gaming

Making games accessible

We are at the forefront of providing Audio Description (AD) or Described Video (DV) for video games through our Descriptive Video Works studio in Canada. We provide AD or DV for video games, TV, feature films, sports, live events and many other forms of media.

This rich narration provides information about key visual elements so that those who are blind, have low vision, or experience sensory processing issues, can fully enjoy the content. Descriptive Video Works also works closely with a global advisory council of activists, gamers, filmmakers, writers and voice actors to increase awareness, develop new resources and services, and make advancements in Audio Description, as well as working to highlight and address accessibility issues and systematic barriers for people who are blind or have low vision.

We have partnered with Netflix, Ubisoft and many other industry leaders on accessibility services across many platforms. In working with our clients, one thing we regularly hear from those utilising Audio Description for the first time is how it completely changes their entertainment experience.

With over a billion people worldwide with a vision, hearing, motor, or cognitive disability, we want to increase awareness and our range of services to ensure that everyone, regardless of ability or disability, can enjoy media, games, and other new technology.

We invest in improving industry diversity, representation, and inclusion through our renewed partnership with Women in Games. We sponsor their Individual Ambassador Programme that provides a safe space to connect and exchange knowledge and perspectives to activate change. In fact, we are proud to have 30+ Women in Games Ambassadors at Keywords and the impact they are having in the industry. Keywords continues to be a proud UKIE #RaiseTheGame pledge partner.

Responsible business review continued

02

Planet

Whilst we are not a large emitter of greenhouse gases (GHG), we recognise our responsibility to minimise our impact on the planet as well as to respond to our stakeholder needs. We are taking concrete actions to do this and during the year set long-term GHG intensity reduction targets.

Sustainable Studios

Our Sustainable Studios programme, aimed at supporting our studios in their efforts to minimise greenhouse gas emissions and reduce their environmental impact, continued to make good progress in the year. As part of this we completed our first Group-wide environmental assessment of all studios, which showed a good level of adherence to best practices across many studios.

We have started to roll out a number of initiatives focused on implementing the Group's Environmental Policy guidelines on energy consumption and waste reduction. Amongst these, the highest priority has been given to switching to renewable energy sources wherever possible.

In a number of countries, including Spain, Japan, Germany, Australia, the UK and Italy, most studios are now on 100% renewable electricity, and other countries are working on implementing the conversion. Overall 16 of our studios are now on renewable tariffs globally.

We recognise that significantly reducing our carbon emissions will take time and that the plans will need to evolve and adapt in the future in response to both challenges as well as new opportunities. Therefore, during the year, in the path to reaching our goal of achieving net zero carbon emissions ahead of 2050, we have built a transition plan with near-term actions to 2025. This is aligned with our longer-term target of reducing by 50% our carbon emission intensity ratio ahead of 2030 (tonnes of CO_2e per revenue €m).

Taskforce on Climate-related Financial Disclosures ("TCFD")

This section sets out Keywords' reporting against the TCFD requirements. As an Alternative Investment Market (AIM) listed company, we are not currently required to report against TCFD but have set out the following disclosures as part of our journey towards future compliance. The following section endeavours to provide the information set out under the four pillars of the disclosures to provide transparency to our stakeholders relating to our governance, strategy, risks and targets for climate-related impacts.

Governance

Over the past two years, Keywords has made substantial steps in formalising its ESG governance and oversight, including around potential climate change impacts. In 2020, the Group conducted its first materiality assessment, identifying the Planet as a key pillar of its Responsible business approach and subsequently reporting its GHG emissions for the first time. During 2021, the Responsible Business Committee was formed and subsequently re-named the ESG Management Co (ESG MgtCo), led by Jon Hauck along with senior regional and functional executives. This committee is designed to implement and support Group initiatives across the five Responsible business pillars. As part of its work, the Committee formulated the Group's first Environmental Policy and has supported the roll-out of this throughout the business in 2022, through the Sustainable Studios initiative. Going forward, this policy will be used as a basis for all studios to ensure they work on introducing environmental initiatives to conserve natural resources and reduce our emissions.

In tandem with the formation of the ESG MgtCo, the Board recognised the increasing importance of ESG matters and the need to have a clear focus on the Group's impact on its stakeholders and the environment. To support this, Keywords established an ESG Board Committee in 2021. Further details of the ESG Committee can be found on pages 102 to 103. During 2022, the ESG Committee received presentations from various Keywords leads across each of the Responsible business pillars including Planet. These presentations were designed to provide a "deep dive" into the progress across the key initiatives and ensure that the ESG Committee had sufficient opportunity to review and scrutinise progress across the year. In terms of Planet, Management presented the review that had been undertaken of the environmental footprint of each of our 70+ studios across the world, action plans to embed initiatives into local business plans, and overall carbon reduction strategies and ambitions.

UN SDGs

Climate Action:
Take urgent action to combat climate change and its impacts

Strategy

The video games industry has a relatively low carbon footprint compared to other "harder to abate" sectors but Keywords is playing its part in minimising its impact on the environment.

Whilst still only an emerging risk, the Company has taken steps to address its climate impact by extending the activities of its Sustainable Studios programme. From our engagement with our clients and people, climate is an important reputational factor for each stakeholder group, with investors also focused on the issue.

In particular, a large client has made commitments to reduce their value chain emissions which may directly impact us. We are engaging with them and taking the appropriate actions. Over time we may see other clients look to make similar commitments. However, the Group does not consider climate change to be of significant risk to the demand for our own products and services. Conversely, we do not expect it to increase demand either, as we see limited climate-related growth opportunities in external services to the video games market.

We recognise that investors are increasingly looking at the climate standards and policies of potential investment opportunities, and that there are also increasing reporting requirements around climate which we will need to continue to adhere to. Over time we intend to enhance both our data collection and external reporting accordingly, and participated in CDP for the first time this year.

During the year we conducted an employee survey in Australia to better understand the issues our local employees cared most about. Climate and the environment was one of the leading issues and as such our Australian hub of studios has accelerated a range of actions, including local carbon offsetting, to ensure that we are addressing the issue appropriately for our staff. As we move forward, we expect climate to continue to be an important issue for employees.

During the year, as part of our Sustainable Studios programme led by our Chief Administration Officer, we undertook an assessment of all our studios to gain a comprehensive view of our emissions and energy consumption across the business. Following this we have created an initial transition plan with both near-term targets and a longer-term intensity target of reducing our Scope 1 and 2 emissions intensity per euro millions of revenue by 50% ahead of 2030. Please see the metrics section for more details.

Within our operational carbon footprint, our Scope 2 emissions are significantly larger than our Scope 1 emissions as the majority of our studios rely on purchased energy. As a result, the key opportunity for us to reduce emissions will be to move to renewable energy tariffs where possible and to increase our energy efficiency within our studios to reduce overall usage. Despite the energy crisis, during the year we made progress in switching tariffs to renewable providers, with 16 of our studios now on green tariffs. As our footprint grows, we expect to add or expand facilities in emerging markets such as India and the Philippines, which have limited opportunities to move to renewable tariffs and will explore other opportunities to reduce emissions in these geographies.

For properties under landlord managed services, we are aiming to transition leases over time to more energy efficient buildings, where landlords already procure electricity from renewable sources, if possible. As part of this process, we have established a policy that outlines the requirements that all new property locations must meet certain environmental standards. As an example, we've moved our largest European studio in Katowice, Poland, to new leased premises which will host over 1,200 employees in a state of the art modern building which has the highest credentials in terms of land use and ecology, technology for energy saving, water saving, and meets the requirements for BREEAM certification at the Outstanding level.

Keywords continues to offset any remaining emissions where it is not operationally possible to eliminate them completely. In 2022, Keywords continued to offset our operational carbon impact through purchasing credits in respect of its 2021 emissions, from the Ntakata REDD+ project in Tanzania, chosen by our employees, which helps to limit deforestation.

In terms of Scope 3, value chain emissions, we have reported the impact of our purchased goods and services for the first time and intend to expand the number of categories we report against to other categories that may be material, including business travel and employee commuting/work from home impacts.

We believe that business travel is likely to be a material contributor to our overall carbon impact and have taken steps to limit this, aiming to travel only when it is necessary. When we do travel, we fly economy (where flights are shorter than five hours), we do not have company cars and encourage the use of public transport, where practical, for all our colleagues.

Due to almost all roles within Keywords being able to complete their work from home, as evidenced during the pandemic, Keywords should prove resilient to any climate-related events facing the business, with only a limited number of studios needing more complex plans to ensure the security of server infrastructure or computer hardware.

Risk management

As climate is classed as an emerging risk it is subject to the Group's risk management framework and shall continue to be monitored closely. More details of the risk management framework can be found on page 62.

The Board believes that there is not a significant direct material risk to Keywords from climate change beyond the general global impacts that will be felt across society. As a digital-led business we have flexibility to respond to extreme weather events that render our properties, our sole source of operations, unusable. Over the past few years, we have been able to conduct operations in a largely work from home environment without interruption and in a number of locations our employees will remain as remote workers permanently, with others generally undertaking a hybrid approach. This, together with our global reach further reduces the risk from physical impacts.

Where we continue to see direct physical risk from climate-related weather events, is around our server facilities and computer hardware which are housed in our premises. Keywords locations known to be at risk, as well as the broader Group locations, are in the process of creating a system to record all hardware/software assets which is anticipated to be live in 2023, and will be used to inform the existing disaster recovery plans already in place across our locations.

With an increasingly interconnected global economy, there are potentially indirect climate impacts that could represent a potential issue for the Group. The semiconductor shortage that impacted the global economy throughout 2021 and for much of 2022 demonstrated the vulnerability of existing supply chains to unexpected disruptions, both climate related and geo-political. In turn, this shortage impacted production of the next generation of gaming consoles dampening the short-term demand for games published by our customers. These shortages have now eased but may materialise again in the future.

Responsible business review continued

Planet continued

Climate-related risks are factored into our risk assessments, which are reviewed throughout the year. Any new risks are included and monitored to ensure the plans remain effective and ensure the safety of both our colleagues and business. Financial risks are taken into consideration by our existing top-down and bottom-up risk management processes each year, details of which can be found on page 62 of our Principal risks and uncertainties.

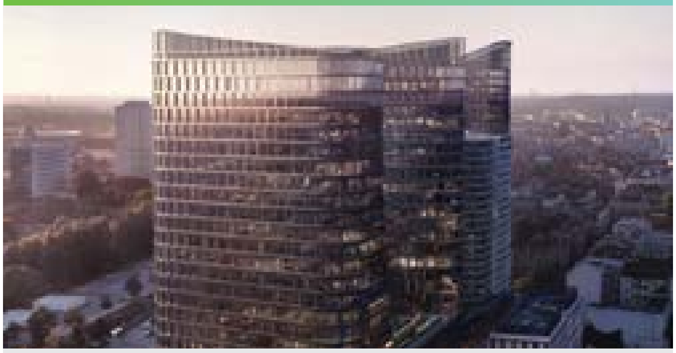
Metrics and targets

In line with the Streamlined Energy and Carbon Reporting (SECR) disclosure, Keywords undertook its third formal review of the Group's global energy usage, resulting in the identification, assessment and measurement of our energy and greenhouse gas (GHG) emissions.

In keeping with previous years, we have used the GHG Protocol Corporate Accounting and Reporting standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2022 and International Energy Agency (IEA) conversion factors for non-UK electricity to calculate our disclosures. As well as absolute emissions figures, the information is presented as an intensity ratio against Scope 1 and Scope 2 emissions once market-based deductions have been accounted for, against both employee numbers and our revenue in €m. These figures were calculated from data available from regional offices across the Group. Where direct consumption data was not available, data has been extrapolated in line with GHG Protocol allowances. Our data collection processes continue to grow more robust each year, with more accurate data in 2022 than has previously been available.

We continue to report on Scope 3 – Category 3: Well-to-Tank emissions (WTT) related to the combustion of fuels and operation of facilities related to our Scope 1 and Transmission & Distribution emissions (T&D) in relation to the purchase of electricity related to Scope 2. In addition, we have started to collect data around our Scope 3 – Category 1: Purchased goods and services for 2022.

Case study



Enhancing our office footprint

In 2022, we opened a new state of the art office in Katowice, Poland, which will host around 1,200 people, nearly 10% of the Group's overall workforce. This office is our largest in Europe and meets the requirements for BREEAM certification at the Outstanding level, and is designed to ensure high energy efficiency in order to limit energy and water consumption.

GHG emissions data

	Reporting year – 1 October 2021 to 30 September 2022		Comparison year – 1 October 2020 to 30 September 2021		Comparison year – 1 October 2019 to 30 September 2020	
Tonnes of CO_2e	UK and offshore	Total Global	UK and offshore	Total Global	UK and offshore	Total Global
Scope 1 – Combustion of fuels and operation of facilities	8	268	4	201	1	244
Scope 2 – Emissions from purchase of electricity, heat, steam, and cooling purchased for own use	239	4,026	188	3,406	171	3,734
Total Scope 1 and Scope 2 emissions (Location-based)	**247**	**4,294**	**192**	**3,607**	**172**	**3,978**
Scope 2 Market-based emissions reduction	(76)	(267)	(11)	(63)	–	(23)
Total Scope 1 and Scope 2 emissions (Market-based)	**171**	**4,027**	**181**	**3,544**	**172**	**3,955**
Scope 3 – Category 3: Well-to-Tank (WTT) related to Scope 1 and Transmission & Distribution (T&D) related to Scope 2	24	367	17	339	14	316
Total – Scope 1, 2 and Scope 3: Category 3 (Market-based)	**195**	**4,394**	**198**	**3,883**	**186**	**4,271**

Scope 1 – Includes emissions from the combustion of fuels and the operation of our facilities.

Scope 2 – Our Scope 2 emissions are derived from the purchase of electricity. This has been split between Location- and Market-based to account for those operations switching to green and renewable tariffs. Changes to previous years' reporting are as a result of more accurate data being available and changes in the updated IEA factors.

Scope 3 – Our Scope 3 reporting includes emissions in relation to our operations, Transmission & Distribution, and Well-to-Tank. Changes to previous years' reporting are as a result of changes in the updated IEA factors as well as the removal of Well-to-Tank figures for electricity following the cessation of the publication of relevant UK Government conversion factors for other countries.

In 2022, our global Scope 1 and 2 emissions (Location-based) were 4,294 tonnes CO_2e. UK emissions accounted for 247 tonnes of CO_2e, representing 6% of global emissions.

This year we have also continued to work on the development of our emissions reporting, specifically focusing on Scope 3 – Category 1: Purchased goods and services. Though this remains a complex area, we have been able to use a spend-based method in line with the US Supply Chain GHG Emission Factors for US Commodities and Industries. This area of reporting required assumptions and estimations to be taken where financial data did not accurately align with the factors available, and we will continue to work on improving its accuracy in the coming year.

In 2022, our Global Scope 3 – Category 1: Purchased goods and services emissions are set out below:

Tonnes of CO_2e	Reporting year – 1 October 2021 to 30 September 2022
Scope 3 – Category 1: Purchased goods and services	6,055

Energy consumption (MWh)

	Reporting year – 1 October 2021 to 30 September 2022		Comparison year – 1 October 2020 to 30 September 2021		Comparison year – 1 October 2019 to 30 September 2020	
Energy consumption (MWh)	**UK and offshore**	**Total Global**	UK and offshore	Total Global	UK and offshore	Total Global
Scope 1 – Energy consumption from the combustion of fuels and operation of facilities	**43**	**1,379**	21	1,057	2	1,303
Scope 2 – Energy consumption from purchase of electricity, heat, steam, and cooling purchased for own use	**1,276**	**11,606**	865	9,812	690	10,289
Total Energy consumption	**1,319**	**12,985**	886	10,869	692	11,592

Total energy consumption includes all activities for which the Group is responsible, as Scope 1 and 2.

The energy consumption is calculated using electricity purchased (kWh) and fuel volumes converted to kWh using the UK Government GHG Conversion Factors for Company Reporting, presented in MWh.

In 2022, our global energy consumption was 12,985 MWh, with the UK representing 10% of our global energy consumption.

Intensity ratio (tonnes of CO_2e per unit)

	Reporting year – 1 October 2021 to 30 September 2022	Comparison year – 1 October 2020 to 30 September 2021	Comparison year – 1 October 2019 to 30 September 2020
Ratio of Scope 1 & 2 emissions to employees	**0.38**	0.39	0.48
Ratio of Scope 1 & 2 emissions to revenue (€m)	**6.26**	7.49	10.9
Index of Scope 1 & 2 emissions to revenue (€m) relative to baseline year	**57.49**	68.78	100

The intensity metric is now calculated using Market-based emissions with previous periods restated due to more accurate information being available.

The baseline used for the intensity reduction target is 2020. The Group may choose to restate the baseline in future depending on acquisitions and if more accurate information becomes available.

Revenue and employee numbers adjusted to align to the emissions reporting period from 1 October through to the 30 September of each year.

Following the return to more normal operations post-COVID-19, the progress in our revenue intensity has slowed slightly in 2022. However, we still reduced our revenue intensity by 16% during the year. As such we remain well on track to achieve the objective of a 50% reduction of Scope 1 & 2 emissions to revenue (€m) ahead of 2030. Emissions per employee reduced marginally during the year to 0.38 tonnes per person (2021: 0.39).

Developments in our Sustainable Studios initiative have focused on driving our environmental commitment forwards and helped to ensure we have maintained the levels of emissions efficiency established during the pandemic. These initiatives will continue to develop the Group's sustainability by identifying practical changes that we can implement and measure against targets, supporting transformation at the local studio level and thus helping us deliver our long-term ambition to reach net zero carbon emissions well ahead of the UK Government's target of 2050.

Responsible business review continued

03

Community

At Keywords, we encourage community involvement and support good causes throughout our local studios across 26 countries. In order to do more to support good causes across the communities that we are a part of, we have set aside an annual central fund under the Keywords Cares initiative which can be applied to match funds raised by our local teams.

Throughout 2022, Keywordians, with the support of Keywords Cares, raised funds of over €45,000 and supported numerous initiatives, ranging from local charities, not-for-profit programmes, educational initiatives, or community outreach programmes.

In 2022, 38 charitable and community activities took place across 21 studios, more than double the previous year. Keywords Cares has also extended its matching programme to allow for a more rapid support process in the event of a natural disaster or humanitarian crisis.

We have continued to extend the use of our support fund that we set up during COVID-19 to support those experiencing more acute financial issues. This remains accessible by all and provided €38,000 in the year to applicants. The majority of the funding in 2022 went to those affected by the Ukraine crisis and staff who were experiencing specific family related issues.

We were also pleased to participate in our first global event – Movember – which is dedicated to making a difference in mental health and suicide prevention – and became our highest group fundraising event to date. Whether it was rowing in London, running in Mexico City, walking in Orlando, or growing moustaches around the world, 51 Keywordians participated in Movember fundraising this year, with countless others supporting by donation to the cause.

UN SDGs

3 GOOD HEALTH AND WELL-BEING

Good health and well-being:
Ensure healthy lives and promote well-being for all at all ages

5 GENDER EQUALITY

Gender equality:
Achieve gender equality and empower all women and girls

10 REDUCED INEQUALITIES

Reduced inequalities:
Reduce inequality within and among countries

Broader initiatives

Lakshya India conducted an Eye Camp at Red Rose Public School, Gijhore, and Bhawani Shankar Inter college in December, and simultaneously conducted a Women's Health and Hygiene camp in Sector 78, Noida. They partnered with the NGO, Smile India Trust, to create the initiative as part of their CSR commitment to local communities.

Our Taipei studio held their first ever CSR activity, partnering with the National Museum of Marine Science, a member of ICC (International Costal Cleanup) and Taiwan Ocean Cleanup Alliance, with a beach clean-up day at the Northern Coast of Keelung.

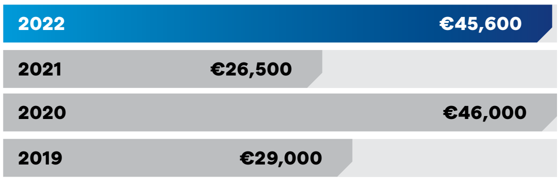
Electric Square chose Special Effect as their charity of the year, who enable physically disabled people to use technology to improve their quality of life. Throughout the year, the team held charity quizzes and board game nights, sold tote bags to raise funds, organised charity lunches and a silent auction, all to benefit this worthy organisation.

Snowed In holds a community month each year and this year their focus was on Operation Come Home! OCH is an organisation that supports Ottawa's homeless youth. Donations go towards their drop-in programme, educational support, substance use assistance, housing support, food bank, and more. Over the course of the month, they accepted donations, they sent volunteers to do work in person and they not only supported the organisation, but also gained useful knowledge along the way.

A team of volunteers from Keywords Studios Manila gave their time and energy to travel to Balagbag Elementary School in Rodriguez, Rizal to deliver food and supplies for the Forest Guards there. Once our volunteers had joined the trekking programme to Mt. Balagbag, they were lucky to witness the beauty of the Sierra Madre mountain range from the summit before handing over all donations, including 30 sleeping bags, 65 first aid kits and 10 packs of rice.

€45,600

Contributed to charity



Climax Studios held a Game Jam to support the mental health charity, Mind. Participants were challenged to design, craft, and code a game in 48 hours. All funds raised during this virtual Jam went towards improving awareness of mental health issues, advice call lines and resources, and supporting community projects.

Avid runners at Keywords Montreal joined in the Terry Fox Run for cancer research, raising funds to support the charity.

Keywords Italy organised a 24-hour Game Marathon in support of Emergency, who offer free treatment to victims of war, landmines and poverty. The team felt they had the opportunity to do this by using our greatest passion, video games.

Our teams in India teamed up with 'A Giggles Welfare Organization' and distributed blankets to under-privileged families in and around Delhi and to children at the Don Bosco Ashalayam orphanage. We hope this can support them through the cold nights that can reach around zero degrees.

Lakshya India supporting a women's health camp in India

Keywords Manila supporting the Forest Guards

Responsible business review continued

04

Client

Our clients and their projects are at the heart of everything we do at Keywords and we are focused on continually deepening our engagement and enhancing the experience of our clients. We always seek to better understand their needs so that we can fully meet expectations for each and every project.

We have a broad client list of around 1,000 gaming companies and due to the strength and breadth of our offering we are a trusted partner to almost all of the top global games publishers and developers. These companies rightfully demand the highest levels of service and confidentiality from us and we are set up to deliver that.

During 2022, we introduced a number of new roles to be able to better service our clients' needs and ensure they have access to our broader offering, whilst maintaining our "One Keywords" collaborative culture. We have also introduced new Leadership Principles, which are a practical tool we apply in our everyday working life to Imagine More for our partners.

Our top five customers account for 30.1% (2021: 30.0%) of the Group's revenues, with 150 customers using three or more services, up from 133 in 2021. In 2022, we launched our strategic partnering approach as we look to get closer to our key customers and move from a tactical approach to a more strategic relationship. A key element of this was beginning to undertake Strategic Partner Reviews which involve the leadership of both Keywords and the client, and are designed to identify how we can better serve the needs of each of our key customers. We also undertook the second iteration of a more involved feedback survey with all of our customers, gathering a range of feedback. This survey delivered an increased overall customer NPS of 37 compared to 30 in 2021 (a score of between 30-70 is considered "great" by Retently) and highlighted that quality was the number one reason for choosing Keywords over other providers.

Information technology

Keywords has a dedicated Information Security and Privacy department which follows a comprehensive global Information Security and Privacy framework with policies, guidelines and procedures, covering industry best practices that all studios must adhere to.

This framework incorporates compliance checks to ensure that our studios meet the Keywords standard security requirements. Supplementary penetration tests are also executed as required, in addition to external compliance assessments and audits performed by our third-party customers on an ongoing basis. The activities include managing the Security and Privacy framework, monitoring of information systems and infrastructure, security and privacy incident management, client security and raising employee awareness.

We continue to invest in our information security and back-up infrastructure and report on the Group's information security to the Audit Committee at least twice a year.

Several studios hold and maintain, or are in the process of acquiring, information security and privacy-related certifications, including, but not limited to: Trusted Partner Network (TPN), Supplier Security and Privacy Assurance (SSPA), Payment Card Industry Data Security Standard (PCI-DSS), System and Organization Controls 2 (SOC-2), Netflix Post Partner Program (NP3).

As part of our strategy we look to introduce new technologies that will enable Keywords to stay at the forefront of the industry. During the year we made two key technology acquisitions to enhance our client offering. The first, Mighty Games, has an innovative AI testing solution that enables game developers to have real-time feedback on the quality of their coding and is complementary to our current functional testing capabilities. We also acquired Helpshift, that has developed a market-leading proprietary software-as-a-service customer support automation tool that resolves customer support issues in real-time within its clients' mobile apps. Helpshift, together with Keywords' existing player support offering, and our KantanAI machine translation capabilities, provides a unique, holistic player experience solution for our clients.

During 2022, we also continued to build out our internal technology spine with investments in shared technology platforms, integration of new financial tools, and the creation of an innovation team to look to harness scalable innovations created within the organisation.

UN SDGs

Decent work and economic growth:
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Industry, innovation and infrastructure:
Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

05

Governance

Our Code of Business Conduct (the "Code") provides the backbone for the way we conduct business, underpinned by our Leadership Principles and aligned with the expectations of our key stakeholders.

Business ethics

The Code sets the highest standards of behaviour when interacting with internal and external stakeholders.

Corporate governance

We recognise the value of good corporate governance in every part of the business and, whilst we have adopted the Quoted Companies Alliance (QCA) Corporate Governance Code, which is appropriate for the size and maturity of our business, we meet the provisions of the UK Corporate Governance Code where possible and appropriate. The Board takes seriously its responsibility to take account of the interests of key stakeholders in its decision-making. The ways in which the Board engages with key stakeholders to understand their interests are described on pages 56 and 57.

Whistleblowing

The Group is committed to the highest levels of integrity and accountability and fosters an environment where employees feel confident and supported by the Group in speaking up and shining a light on unethical behaviour. In 2022, we implemented a new whistleblowing portal which allows colleagues and third parties to raise any concerns about possible financial or other irregularities, anonymously should they wish to. Further details are provided on page 84.

Human rights

At Keywords, we do not tolerate any form of modern slavery or human trafficking in any part of our business. Our annual Modern Slavery Statement is published on the Group's website. We operate to international standards and principles, including the International Bill of Human Rights, the UN's Guiding Principles on Business and Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the Children's Rights and Business Principles.

The Group continues to make all reasonable endeavours to ensure all employees and suppliers are not subject to any form of forced, compulsory/bonded labour or human trafficking through our Supplier Code of Conduct.

Data privacy

Keywords is committed to processing data in accordance with its responsibilities under applicable data protection legislation, and has created the Keywords Privacy Framework, based on the General Data Protection Regulation (GDPR). This framework is constantly updated to take into account other applicable privacy regulations. We regard the lawful and correct processing of personal information by the Group as very important to our successful operations and for maintaining confidence between our clients and ourselves.

M&A

We are a highly acquisitive business and apply strict financial and non-financial criteria, including reviewing ESG areas such as DEIB, environmental initiatives and culture of our acquisition targets. Before acquisition, we complete a thorough due diligence process and the Board receives a detailed acquisition report to support decision-making. We operate a comprehensive integration process post-acquisition, formalised by an agreed integration plan tailored to the relevant business designed to ensure seamless integration.

Tax governance

The Group takes a balanced approach to the management of its tax affairs and has a tax policy which is approved by the Board. Our overall strategy is to meet our tax obligations and ensure that long-term shareholder returns are responsibly optimised by structuring our business and transactions in a tax efficient manner, while taking into account reputational factors. Tax risks are regularly reviewed by the Board and the Audit Committee.

UN SDGs

Decent work and economic growth:
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Industry, innovation and infrastructure:
Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

Section 172(1) statement

We have set out below a summary of our key stakeholder groups, how the Board engages with them, how they are addressed by our strategic priorities as well as how we measure the outcomes of our engagements. We also explain how key strategic decisions made by the Board considered stakeholder interests.

Key stakeholders

	Investors	Clients
	Individuals and institutions	Top 25 and other publishers and developers
Engagement mechanisms	Q&A at the AGM and capital markets day covering key topics of interest, including technology and continued focus on growth. Important information provided in regulatory and media announcements. Meetings with top shareholders and institutional investors to discuss key matters of interest, including strategy and capital allocation. Annual remuneration consultation on implementation and plans.	Annual net promoter score survey highlighted areas for improvement. Strategic partnership meetings to build closer relationships and a deeper understanding of needs and opportunities. Attendance at industry events to connect with existing and prospective clients.
Measures	AGM voting outcome Read further on page 76	NPS Read further on page 54
Link to strategic priorities		

Principal decisions

Acquisition of Helpshift Inc.

In December 2022, Keywords announced the acquisition of Helpshift, a market-leading proprietary software-as-a-service customer support automation tool.

The acquisition of Helpshift enables Keywords to cover the full spectrum of support needs and service levels, further executing on the Group's strategy to enhance our technology offering for the benefit of our strategic partners. The strategy had been presented to shareholders at the capital markets day in June 2022, with a very positive response to our application of KantanAI to our Globalize service line offering.

The Board, and Keywords as a whole, is constantly striving to understand our clients' needs so that we can enhance our capability to deliver solutions tailored to their needs. By combining the highly complementary capabilities of our experienced player support agents, KantanAI and Helpshift's platform, Keywords created a market-leading customer support platform to better serve our clients' needs.

It was proposed that Helpshift be integrated into Keywords' Player Support business and build on a long-standing partnership and natural cultural fit. Working more closely together and developing the combined offering presented opportunities for both teams who were excited to get started.

To ensure the seamless integration of Helpshift into the Group, both teams worked closely together to develop an intimate understanding of each other's capabilities, identify synergies, and define the combined solution for clients. This meant teams were able to hit the ground running once the acquisition completed.

Taking account of the balance of interests of key stakeholders, the Board determined that the acquisition of Helpshift presented an opportunity to promote the long-term success of the Group, having numerous prospective benefits for clients, employees and shareholders.

Appointment of Chair Designate

In January 2023, Keywords announced the appointment of Don Robert as a Non-Executive Director and Chair Designate, to succeed Ross Graham following the 2023 AGM.

In deciding how to manage the succession of the Chair role through 2022, the Directors were mindful of the interests of all stakeholders, but in particular the CEO, who was new in role, in ensuring stability during any transition period. These interests were known from the CFO and SID's periodic engagements with major shareholders and the executive team. As such, the Board requested that Ross remain a Director beyond the standard nine-year tenure, to allow for a suitable successor to be secured and an orderly handover to be conducted.

Being mindful of the interests of shareholders in good corporate governance, the Board emphasised the need to strongly consider diversity in the search process and to assess candidates on the strength and breadth of their experience for the role.

Strategic priorities

Strategic partnerships | Technology | One Keywords | Talent and capabilities | Adjacent markets

Workforce	Communities
Permanent, temporary and freelance	Global gaming community and our studio locations
Board visits to studios worldwide, to discuss strategic and operational matters with senior managers and learn about projects and teams. Annual eNPS survey highlighted workers' concerns about the rising cost of living. The Board spent two days with senior leaders at an Executive Summit, discussing culture and sharing ideas on strategic opportunities. Global townhalls were attended by Directors to hear about topics of key interest.	Board visits to studios worldwide to understand gaming culture in different countries. Attendance at industry events provided an opportunity to learn about key industry trends. Keywords Cares programme provided funds to charitable causes our employees care most about.
eNPS Read further on page 43	**Keywords Cares matching** Read further on page 52

Don presented a strong track record of building and leading international businesses, including through acquisitions, and a deep understanding of technology, data and analytics. The Board regarded his experience to be very well aligned with the Group's strategic priorities around growth and technology, which shareholders had supported at the capital markets day.

Throughout the recruitment process, Don stood out due to his experience of growing global businesses, both organically and through acquisitions, his deep knowledge of the technology landscape and his strong leadership. His extensive experience will complement and enhance the skills of the existing Board and leadership team and he built a good rapport with each Director during the interview process.

Don was regarded as an excellent cultural fit for the Board and executive team, adding expertise in several areas to further strengthen the Board. The Board were confident that Don was the best candidate to promote the long-term success of Keywords.

Transitioning our Russia-based business

In September, Keywords announced that it was in the process of transitioning people and work from our Russia-based business, Sperasoft, to new locations outside Russia, including Poland, Serbia, Armenia and Malta. This was part of an existing strategy for Sperasoft, revised and accelerated in light of the situation in Ukraine.

The Board's priority was to reassure employees and their families that their interests were being considered. Information was gathered on the morale and interests of employees and freelancers working in Russia, Ukraine and neighbouring countries, to inform strategies for operational transition and engagement. A working group was established to deliver as smooth a transition as possible and ensure a good flow of communication, from the studio to the boardroom.

It was also important for the Group to implement a smooth transition to ensure continued service to Sperasoft's international clients. This required regular, open communication on the Group's response to the situation and solution for supporting ongoing and planned projects.

While we have moved a significant number of people and work at year-end, this was predominantly second half weighted, and remains ongoing. To date the transition has been smooth and mitigated many of the operational and financial risks, however it has naturally led to increased costs, which have impacted on Group margins.

In global townhalls and management meetings, employees also communicated a desire for greater flexibility to donate to humanitarian causes in Ukraine. In response, the Board supported changes to the Keywords Cares programme, including to the level of matching funds available and list of authorised charities.

Ultimately, the ongoing transition was regarded as necessary to promote the long-term success of the Company, protecting our workforce and business.

Financial and operating overview

We delivered another year of strong financial performance, driven by healthy demand for our services and careful management of our cost base.

Jon Hauck
Chief Financial Officer

Revenue

Revenue for 2022 increased by 34.8% to €690.7m (2021: €512.2m). This performance included the impact of acquisitions in 2021 and 2022 and an ~8% benefit from the impact of currency movements, when translating studio results from local currency into the euro reporting currency, and particularly the strengthening of the US dollar.

Organic Revenue growth (which adjusts for the impact of acquisitions) was 21.8%. This was driven by a strong performance across all service lines, against the comparative period in 2021, particularly in our Create and Globalize Service Lines. Excluding the impact of currency, when converting amounts billed by studios in US dollars into local currency organic revenue growth would have been approximately 3% lower. Further details of the trading performances of each of the Service Lines are provided in the Service Line Review.

Gross profit and margin

Gross profit in 2022 was €267.3m (2021: €200.1m) representing an increase of 33.6%. The gross margin of 38.7% was broadly in line with 2021 (39.1%). While currency movements mentioned above were also supportive to margins, the uplift was predominantly offset by the cost and disruption of building up our capacity in new locations to migrate work previously performed within Russia, to outside of the country.

Operating costs

Adjusted operating costs increased by 33.8% to €120.4m (2021: €90.0m), reflecting the larger Group, but at 17.4% of revenue were slightly lower than 2021 (17.6%). This was driven by continued good cost control, as the Group looked to manage the impact of increased travel and business development costs as these activities increased with the easing of COVID-19 restrictions.

EBITDA

EBITDA increased 41.1% to €120.9m (2021: €85.7m). Adjusted EBITDA increased 33.4% to €146.9m compared with €110.1m for 2021. The Adjusted EBITDA margin in 2022 of 21.3% was marginally lower than 2021 (21.5%) reflecting the lower gross margin.

Net finance costs

Net finance costs were €1.4m higher at €3.8m (2021: €2.4m), primarily driven by a €1.0m increase in the unwinding of discounted liabilities relating to deferred consideration.

Alternative performance measures (APMs)

The Group reports a number of APMs to present the financial performance of the business which are not GAAP measures as defined by IFRS. The Directors believe these measures provide valuable additional information for the users of the financial information to understand the underlying trading performance of the business. In particular, adjusted profit measures are used to provide the users of the financial statements a clear understanding of the underlying profitability of the business over time. A breakdown of the adjusting factors is provided in the table below:

	2022 €m	2021 €m
Share-based payments expense	**18.7**	16.4
Costs of acquisition and integration	**8.4**	8.0
Amortisation of intangible assets	**16.8**	13.7
Foreign exchange and other items	**0.1**	–
	44.0	38.1

1.14m options were granted under incentive plans in 2022. This, together with grants from previous years, has resulted in a non-cash share-based payments expense of €18.7m in 2022 (2021: €16.4m).

One-off costs associated with the acquisition and integration of businesses amounted to €8.4m (2021: €8.0m). Amortisation of intangible assets increased by €3.1m to €16.8m (2021: €13.7m) reflecting the recent levels of acquisition activity.

Foreign exchange and other items amounted to a net loss of €0.1m (2021: €nil). This includes €2.9m for the unwinding of discounted liabilities on deferred consideration (2021: €1.9m) offset by a net foreign exchange gain of €1.7m (2021: €2.0m) and other income of €1.1m (2021: €nil). Keywords does not hedge foreign currency exposures in relation to net current assets. While more material movements in foreign exchange can be impactful on revenues and expenses, the net impact on the Group's results of movements in exchange rates and the foreign exchange gains and losses incurred during the year mainly relate to the effect of translating net current assets held in foreign currencies.

A more detailed explanation of the measures used together with a reconciliation to the corresponding GAAP measures is provided in the APMs section at the end of this report.

form

Financial and operating overview continued

Profit before taxation

Profit before tax increased by €20.0m (+41.7% year-on-year) to €68.0m (2021: €48.0m). Adjusted profit before tax, which adjusts for the items described in the APMs section above increased by €26.0m (+30.2% year-on-year) to €112.0m compared with €86.0m in 2021. This reflects a small reduction in Adjusted profit before tax margin of 0.6% points to 16.2% (2021: 16.8%). This was due to costs and disruption associated with the relocation of our Russia-based operations to outside of the country, which impacted margins by ~2% points, together with the return of travel, business development and return to office costs (~1%) post COVID-19. Largely offsetting these was a ~2.5% point margin benefit from foreign exchange, particularly the strong US dollar during the period as we invoice more than 50% of our sales in US dollars.

Taxation

The tax charge increased by €6.7m to €20.6m (2021: €13.9m) largely reflecting the increase in the Profit before tax of the business. After adjusting for the items noted in the APMs section above and the tax impact arising on these items, the Adjusted effective tax rate for 2022 was 22.0%, slightly higher than the rate of 21.6% in 2021.

Earnings per share

Basic earnings per share increased by 36.3% to 61.54c (2021: 45.16c) primarily reflecting the 38.9% increase in the statutory Profit after tax. Adjusted earnings per share which adjusts for the items noted in the APMs section above and the tax impact arising on these items was 113.50c (2021: 89.24c), representing an increase of 27.2%, with the rise in Adjusted profit before tax of 30.2% partially offset by a 1.9% increase in the basic weighted average number of shares.

Cash flow and net debt

	2022 €m	2021 €m	Change €m
Adjusted EBITDA	**146.9**	110.1	36.8
MMTC and VGTR	**(3.6)**	(4.5)	0.9
Working capital and other items	**0.6**	11.3	(10.7)
Capex – property, plant and equipment (PPE)	**(27.0)**	(19.4)	(7.6)
Capex – intangible assets	**(0.5)**	(0.3)	(0.2)
Payments of principal on lease liabilities	**(11.4)**	(10.0)	(1.4)
Operating cash flows	**105.0**	87.2	17.8
Net interest paid	**(1.5)**	(2.7)	1.2
Free cash flow before tax	**103.5**	84.5	19.0
Tax	**(17.5)**	(23.9)	6.4
Free cash flow	**86.0**	60.6	25.4
M&A – acquisition spend	**(113.3)**	(63.1)	(50.2)
M&A – acquisition and integration costs	**(3.1)**	(2.4)	(0.7)
Other income and other items	**1.6**	–	1.6
Dividends paid	**(2.0)**	(0.6)	(1.4)
Shares issued for cash	**6.8**	5.3	1.5
Underlying increase/(decrease) in net cash/(debt)	**(24.0)**	(0.2)	(23.8)
FX and other items	**0.2**	2.9	(2.7)
Increase in net cash/(debt)	**(23.8)**	2.7	(26.5)
Opening net cash/(debt)	**105.6**	102.9	
Closing net cash/(debt)	**81.8**	105.6	

The Group generated Adjusted EBITDA of €146.9m in 2022, an increase of €36.8m from €110.1m in 2021. There was a €3.6m outflow in respect of the amounts due for Multi-Media Tax Credits (MMTCs) and Video Game Tax Credits (VGTRs), lower than 2021, as we saw a return to more normal phasing of payments in H2 2022. MMTCs and VGTRs are subsidies that are recognised as work is performed but are typically paid in the second half of the following year. Other working capital saw an inflow of €0.6m, a €10.7m change from 2021, mainly due to an increase in accrued income associated with the strong performance of the business at the end of the year offset by a reduction in debtor days.

Investment in property, plant and equipment increased by €7.6m to €27.0m (2021: €19.4m) as we continued to invest in growing the business. Property lease payments of principal of €11.4m were 14.0% higher than the prior period (2021: €10.0m) mainly related to acquisitions in the period.

Operating cash flows of €105.0m were ahead of 2021 (€87.2m), primarily due to the €36.8m increase in Adjusted EBITDA, partially offset by the change in working capital.

There was a €6.4m reduction in cash tax paid to €17.5m (2021: €23.9m) as payment schedules return to a more normal pattern following pandemic related timing differences in 2021. Net interest payments, which largely relate to fees on the Revolving Credit Facility (RCF), were €1.5m compared to €2.7m in 2021.

This resulted in Free cash flow of €86.0m, €25.4m ahead of 2021 (€60.6m). Adjusted free cash flow, which adjusts for capital expenditure that is supporting growth in future periods was €112.1m in 2022, ahead of 2021 (€92.3m). The Adjusted cash conversion rate of 100.1% was below 2021 (107.3%), but ahead of our guidance for the year of 80%.

Cash spent on acquisitions totalled €116.4m, of which €25.8m was in respect of the cash component of prior year acquisitions and €3.1m was in relation to acquisition and integration costs. This was €50.9m higher than the spend in 2021 due to the timing of acquisitions.

This resulted in a reduction in net cash of €23.8m in 2022, leading to closing net cash of €81.8m (2021: €105.6m).

Balance sheet and liquidity

The Group funds itself primarily through cash generation and a syndicated RCF of €150m that matures in December 2024. The RCF includes an accordion option to increase the facility up to €200m and an option to extend the term by two further one-year periods (both subject to lender consent). During the year the first one-year extension was exercised. The majority of Group borrowings are subject to two financial covenants that are calculated in accordance with the facility agreement:

- Leverage: Maximum Total Net Borrowings to Adjusted EBITDA ratio of three times; and
- Interest cover: Minimum Adjusted Operating Profit to Net Finance Costs ratio of four times.

The Group entered the year with a strong balance sheet, with net cash (excluding IFRS 16 leases) of €105.6m as at 31 December 2021. Following €116.4m of cash deployed in the period to support the Group's value accretive M&A programme, at the end of 2022, Keywords had net cash (excluding IFRS 16 leases) of €81.8m and undrawn committed facilities of €150m. The Group has no exposure to Silicon Valley Bank.

Capital allocation

The Board's progressive dividend policy seeks to reflect the Group's continued growth in earnings and strong cash generation, balanced with the need to retain the resources to fund growth opportunities, particularly M&A, in line with our strategy.

Following the interim dividend payment of 0.77p per share in September 2022, the Board has recommended a final dividend of 1.60p per share, which will make the total dividend for the year ended 31 December 2022 of 2.37p per share, an increase of 10% over the 2021 full year dividend (2021: 2.15p per share).

Subject to shareholder approval at the 2023 Annual General Meeting, the final dividend will be paid on 30 June 2023 to all shareholders on the register at 2 June 2023 and the shares will trade ex-dividend on 1 June 2023. The final dividend payment will represent a total cost of approximately €1.4m of cash resources subject to currency fluctuations.

The Group has authorised the Link Market Services Trustees Limited ('Link') to operate a Dividend Reinvestment Plan (DRIP) for the Group's shareholders for the final dividend and going forward, to provide greater flexibility for shareholders to manage their dividends. Instructions for shareholders on how to apply for the DRIP will be included in communications regarding the final dividend, and any queries regarding the DRIP should be directed to Link.

The Group also intends to use its Employee Benefit Trust to undertake market purchases of Company shares in H1 2023, amounting to an aggregate of up to €5m, in order to satisfy future exercises of LTIPs or stock options pursuant to the relevant share plan.

Guidance for 2023

We have made a good start to 2023, with trading in line with our expectations for the year. As previously guided, we continue to expect organic growth to moderate from 2022 levels but remain above the medium-term guidance of 10%+.

Adjusted profit before tax margin normalised during 2022 and is expected to remain around 15% in 2023 as previously guided, excluding the potential impact of any debt we take on in the future to fund acquisitions. Moving forward, and against a backdrop of higher interest rates globally, we will focus future guidance on Adjusted operating profit, which historically has been very similar to Adjusted PBT, and we expect this to be around 15% in 2023.

During 2022, we benefited from the strength of the US dollar and are mindful that there remains potential volatility in the foreign exchange markets beyond our control that may impact on our performance through the year. The transition out of Russia will also continue during 2023 and will result in a modest one-off charge relating to the closure of our operations in the country.

The Adjusted Effective Tax rate is expected to be in line with the 2022 rate of ~22%. We are anticipating capex to be slightly ahead of 2022 relative to revenue, reflecting continued expansionary capex and investment in our platform to support future growth, with an overall Adjusted Cash Conversion rate of at least 80%.

Jon Hauck
Chief Financial Officer

Principal risks and uncertainties

The principal risks to which the Group is exposed are set out below, together with details of their potential impact; the likelihood of occurrence (on a scale of 1 to 4, with 4 being the most likely); an indication of whether the trend in the risk exposure is materially increasing, decreasing or broadly unchanged since last year; and the actions taken to mitigate the risk.

We operate a top-down and bottom-up approach to risk management, where current and emerging risks are identified and assessed as part of our strategy and budget process, and semi-annually the senior executives formally review and assess the risks for their business areas, and update as necessary. The results are reviewed and discussed in detail at the Audit Committee on an ongoing basis throughout the year. Furthermore, once a year in January, we have a dedicated deep dive risk session at the Audit Committee where the Committee analyses current and emerging risks in more detail and their links to our overall strategy. Read further details on the activities of the Audit Committee on pages 82 to 85.

The principal risks associated with the Group's strategy are divided into:

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

Key year-on-year changes in risk profile*

- ↑ Global political risk and uncertainty
- ↓ Failure to manage human resources/ talent effectively
- ↑ Client concentration risk

Please see the relevant risk discussion for the explanation of the change in the specific risk profile during 2022.

* 2022 v 2021 trend change

Group and strategy risks

Unsuitable acquisition and/or failure of integration process

Description and Impact	Mitigation
Keywords has an active acquisition agenda which complements its strategic ambitions. Selecting the right acquisitions, managing them successfully and embedding the Keywords culture is a crucial ingredient of success. **Impact** Failure to do so could result in the business not achieving the expected financial and operational benefits and adversely impact growth, profitability and cash flow.	The Group has a focused M&A strategy targeting attractive industry segments where it has built detailed knowledge. The key areas of focus are Game Development, Marketing, Technology, and certain adjacent elements of the Media and Entertainment industry. For each acquisition, the Group has an established process led by a dedicated corporate development team, which involves the relevant senior management in the acquisition process to lead the detailed due diligence. The shared services team support the service lines with the integration process and have issued an updated integration manual to support both Keywords and the acquired business in the process. Management regularly presents the acquisition pipeline to the Board and provide a detailed acquisition memorandum ahead of formal approvals, which incorporates the integration plan for the business. The Group also uses earn-out structures linked to future performance as part of its acquisition consideration, including equity, in order to incentivise good performance as well as promote retention of key staff.

Link to Strategy

Likelihood 2

Trend →

Group and strategy risks continued

Failure to deliver services

Description and Impact	Mitigation
Most of Keywords' services are of a time-critical nature. **Impact** Delays or service delivery failures could potentially impact the development or launch plans for games or result in lost contracts and/or idle capacity.	Delivering on tight deadlines is integral to the Group's modus operandi, and we prioritise timely delivery and flexible resourcing to meet these deadlines, with Keywords' approach to project management applied across the Group. The Group also utilises technology to support the scheduling of its resources on a studio-by-studio basis. Post-pandemic, the business has adapted its contracts and processes to ensure that it is able to complete contracts in a hybrid manner to provide more flexibility and support its ability to deliver against contracts.

Link to Strategy | Likelihood 2 | Trend

Cross-contamination risk

Description and Impact	Mitigation
One of the Group's strategic focus areas is to create strategic partnerships with key industry players to enable closer long-term collaboration and enhance the ability of the Group to cross-sell services to each of its key clients. Keywords also intends to sign "Lighthouse deals" with key clients that will involve complex service delivery across multiple service lines. **Impact** The risk of failure in one service line contaminating the relationship with the same customer across the other service lines increases.	Adhering to Keywords' strong standards of delivery and efficient communication across service lines is key to managing this risk. As the Group forms strategic partnerships with major customers, it is conducting regular reviews with them to ensure Keywords continues to deliver to expectations and identify any potential emerging issues so that they can be addressed. Keywords has also introduced new roles within the organisation that are designed to develop the appropriate solutions for clients at the outset of a project, as well as new roles that support the service delivery to key clients.

Link to Strategy | Likelihood 2 | Trend

Client concentration risk

Description and Impact	Mitigation
The majority of the Group's revenues come from global gaming companies whose revenues tend to greatly exceed those of Keywords. These companies have exacting standards and demand a high quality of service. Keywords' top five customers in 2022 accounted for 30% (2021: 30%) of the Group's revenues. **Impact** Any failure or breakdown in the relationships with key strategic partners could cause considerable damage to the business.	With a renewed focus on Strategic Partnerships with top clients to create and capture more value together, Keywords' client concentration may increase over the medium-term. In addition, industry consolidation between two clients may lead to an increase in concentration. The potential impact is partially mitigated through the Group's highly flexible resource base. The Group continues to expand its footprint and is seeking to make relationships with key clients more strategic. Despite their size, clients tend to be comprised of several individual entities which have certain levels of autonomy over purchasing decisions. Keywords is also focused on developing both bottom up and top down relationships. The Group's exposure to a single customer remains limited at 7.4%, slightly higher than 2021 (6.5%) due to M&A activity.

Link to Strategy | Likelihood 2 | Trend

Principal risks and uncertainties continued

Group and strategy risks continued

Failure to meet market expectations

Description and Impact	Mitigation
Keywords floated on AIM in 2013 with an expressed set of objectives of growing the business organically and by acquisition. **Impact** Should the Group lose the confidence of investors, this will affect its ability to raise money for or place shares to pay for acquisitions.	The Group makes every effort to communicate regularly with investors via announcements, face-to-face contact and virtual meetings. This effective communication of the continued opportunities for growth in the sector, how the Group continues to execute on its stated strategy and successfully integrate the businesses it acquires, should continue to maintain the confidence of its investors. The Group maintains a conservative balance sheet and through its Revolving Credit Facility, negotiated during 2021 and extended in 2022, has access to substantial debt funding which gives it the flexibility and headroom to invest in the business. More details can be found in the Financial and operating overview on pages 58 to 61.

Link to Strategy

Likelihood 2

Trend

Inadequate financial and operational controls

Description and Impact	Mitigation
Keywords has grown rapidly and it is important that global financial controls are in place to ensure smooth, timely and accurate reporting of financial results to satisfy external reporting obligations as well as the Board. **Impact** Failure to accurately report or forecast financial results through error or fraud would damage the Group's reputation.	The Group has invested in and continues to invest in its financial reporting function and systems to facilitate strong reporting and management control as it grows, with a new consolidation and forecasting tool implemented in 2022. During 2022, Keywords reformulated and extended the Executive Committee to broaden its leadership capabilities. As part of this the Group has made a number of senior hires and internal appointments. To simplify operations and enhance oversight, the Group decided to streamline its structure from eight to three services lines – Create, Globalize and Engage.

Link to Strategy

Likelihood 2

Trend

Group and strategy risks continued

Failure to manage human resources/talent effectively

Description and Impact	Mitigation
Keywords employed an average of 11,141 people in 26 countries across the Group in 2022, and people management is key to performance and service delivery. **Impact** Failure to attract, retain or develop high quality entrepreneurial talent 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. But with an ever-increasing workforce this becomes more demanding.	Establishing Keywords as a leading destination for talent is one of the Group's key strategic focus areas and is detailed in the Our strategy section on page 24. Keywords' culture has been fundamental to the Group's success as it binds teams together, whilst preserving the individual cultures of the studios. To facilitate this in the growing Group, Management recently introduced new Leadership Principles as a practical tool to support a collaborative culture. The Group has also introduced a new Culture leadership team, which includes talent acquisition and development, responsible business initiatives as well as enhancing employee engagement. The Group works to develop and incentivise its people and to support their passion to provide the best service for clients, with regular staff surveys undertaken. In addition, special emphasis is placed on the prevention of any form of discrimination, harassment, or malpractice in the workplace, recognising that any sense of dissatisfaction can be very disruptive. In order to provide consistent long-term access to talent, the Group is building local talent development, specifically in India, in segments where talent is scarce, such as game development, and is extending its bootcamp initiative to attract talent from adjacent industries. The Group's Diversity, Equity, Inclusion and Belonging agenda for 2023-2025 includes targeted initiatives for talent acquisition and development to increase women's participation in its workforce and at senior levels in the business. More details of the employee survey and DEIB agenda can be found in the Responsible business review on pages 44 to 46.

Link to Strategy | **Likelihood** 2 | **Trend**

Non-compliance with legal and ethical standards

Description and Impact	Mitigation
New standards and disclosure requirements are evolving such as in environmental and climate change reporting, whistleblowing and sanctions. **Impact** 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. Code of Business Conduct guidelines were rolled out to all studios during 2021 and are supported by more detailed policies and procedures where needed, which are published on the Group's website. During 2022, the existing whistleblowing process was enhanced through the launch of the Keywords Integrity line, a 24-7 online portal for whistleblowing reports, and management of confidential communications in line with recent EU and local requirements. Due to Keywords' presence in Russia, the Group also has had to adhere to the evolving sanctions regime that has been placed on the country. Keywords has put in place a clear process to monitor any changes to sanctions and adapt its processes in order to ensure compliance. The Group has also significantly reduced its presence in Russia during the year, and will continue to do so in 2023. More details are contained in the Responsible business review on page 55 and the Audit Committee report on pages 82 to 85.

Link to Strategy | **Likelihood** 3 | **Trend**

Principal risks and uncertainties continued

Industry-related risks

Breaches to information and cybersecurity

Description and Impact	Mitigation
The industry requires the highest standards of security and privacy from a company offering services such as Keywords. **Impact** Cyber attacks and security breaches, which are happening with increased frequency globally, may lead to piracy, disruption of customers' marketing plans, loss of competitive edge and could result in compensation claims.	The Group uses various third party and proprietary tools and technologies for process control and productivity purposes. Continued investment in these tools is important to ensure the Group's effectiveness. Keywords maintains physical and data security and privacy policies and procedures which are regularly audited by its larger customers. A dedicated Information Security team sets policies, conducts regular penetration testing, monitors activity and rapidly responds to any incidents that arise. More details are contained in the Responsible business review on page 54 and in the Audit Committee report on page 82.

Link to Strategy

Likelihood 4

Trend

Technology innovation and industry disruption

Description and Impact	Mitigation
Innovations in the gaming industry continue to evolve. **Impact** New technologies for automated testing, machine translation and crowdsourcing could pose a threat to the Group in the long-term.	As a key strategic focus area, the Group is focused on effectively utilising technology for the benefit of the Group and its clients. More details can be found in the Chief Executive's review on page 10 and the Our strategy section on page 22 . The Group is constantly innovating to create and adopt technology tools to deliver its services more effectively and participates directly with customers in various pilot programmes for new technologies to keep abreast of technological developments. Keywords has strengthened the senior management team in this area with the appointment of a new Chief Digital Information Officer and created a standalone innovation team, led by a dedicated Executive Committee member to drive its innovation agenda forward. In addition, two technology-led acquisitions were completed during the year. These businesses bring AI-led technologies that will augment the client offering and complement the existing offering.

Link to Strategy

Likelihood 3

Trend

Negative impact of regulation on video games

Description and Impact	Mitigation
Changes in regulation on video games, such as those seen in the Chinese market which imposed curfews on minors, and requirements to address responsible gaming in the industry introduces complexity for clients. **Impact** Changes and new requirements could result in the delay or cancellation of video games by customers.	In relation to the Chinese market, Keywords has limited revenue exposure to games destined solely for the Chinese market. In addition, any potential impact is partially mitigated through the Group's diverse geographic revenue base (no single client larger than 7.4% (2021: 6.5%)). Responsible gaming issues arising during game play can be identified by the Player Support teams, who have a dedicated Trust and Safety team trained to handle and report safety incidents as well as support the team members exposed to such incidents.

Link to Strategy

Likelihood 2

Trend

Industry-related risks continued

Tax credits withdrawal risk

Description and Impact

The Group receives multimedia tax credits (MMTC) in Canada and video games tax relief (VGTR) in the UK, relating to qualifying costs in those markets. These tax credit regimes are designed to promote growth and investment in the relevant regions.

Impact

Any reduction or cancellation of these tax credits would increase the cost base of the business and make the business less competitive.

Mitigation

The Group works closely with regulators and governments in relation to relevant country tax credits and has been given no indication that these tax credits will be removed in the medium term, but increased scrutiny has lead to some delays in payments.

The Group has seen the introduction of a number of new subsidy regimes in the past year, including Australia and Ireland, and other jurisdictions are considering whether to do the same. Due to the Group's geographically diversified operating platform it retains an element of flexibility in being able to move work to other operating centres if material changes were made.

Link to Strategy

Likelihood 2

Trend

General business risks

Sudden business interruption

Description and Impact

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 or more recently 2020-2022 with COVID-19, when the Group was able to quickly move to a work from home model, and services remained robust throughout the pandemic.

Impact

Without access to key systems, data or dedicated work locations, services to clients and/or the ability to report to investors on a timely basis could be adversely affected.

Mitigation

The Group's multiple, full-service delivery hubs provide for a good level of contingency and, supported by business continuity plans, the effects of such disasters can be managed.

Keywords also operates a highly distributed model, with operations in 26 countries and in over 60 cities. This, in addition to the business successfully operating as a hybrid working model in 2022, provides the Group with the ability to service clients from different locations as required.

Link to Strategy

Likelihood 3

Trend

Principal risks and uncertainties continued

General business risks continued

Global political risk and uncertainty

Description and Impact	Mitigation
Keywords operates and owns assets in a large number of geographic regions and countries. The Group operates a single Russia-based business, Sperasoft, which is reported within the Group's Create service line, but has no operations in Ukraine. **Impact** As a result of this geographic spread, the Group is exposed to a wide range of political, economic, regulatory, social and tax environments. Policies or laws, as well as armed conflict involving the countries in which Keywords operates, may change in a manner that may be adverse for the Group, even those with stable political environments.	The diversification and spread of activities geographically mitigate the risk of disruption in any one location. During the year Keywords undertook a process to relocate people and work from Sperasoft to alternative locations (Poland, Serbia, Armenia and Malta). At the year-end the Group had relocated over 400 people to new locations and commenced hiring in those locations to rebuild the business. Keywords has focused on making the transition as smooth as possible for both its people and international clients. Revenue derived from the Russia-based business represented 3.8% (€26.3m) of Group revenues during 2022 down from 5.7% in 2021, and in December 2022 it accounted for 1.7% of Group revenues due to the reduction of its footprint in the country. Keywords is monitoring other geopolitical trends around the Group.

Link to Strategy

Likelihood 3

Trend

Negative impact of currency risk

Description and Impact	Mitigation
The Group transacts in multiple currencies, given its customers are located globally. The Group's largest exposure is to the US dollar followed by the euro and sterling. **Impact** Keywords is exposed to short-term currency risks, in addition to longer-term risk that could develop between its functional currency (euro) and its multiple billing currencies.	The Group serves a global customer base, with production facilities spread across multiple geographies and currencies. 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 with the expenses incurred and by settling liabilities denominated in their functional currency with cash generated from their own operations in that currency. Where entities invoice in a foreign currency, studios have the ability to offset adverse foreign exchange currency movements through increasing prices. Hence the Group does not hedge its currency risk. In addition to revenues and expenses being impacted by movements in exchange rates, the Group is also exposed to gains or losses related to the effect of translating net current assets held in foreign currencies.

Link to Strategy

Likelihood 3

Trend

Other risks have been classified as emerging risks for the Group, such as climate change, specific aspects of talent management risks such as talent acquisition and unionisation, lack of a standard operating system and the growth risks associated with acquisitions and organic growth. More details on these areas and how we are mitigating them through our strategic and ESG initiatives are in the Our strategy section on pages 20 to 31 and the Responsible business review on pages 40 to 55. These risks and how they evolve over time are discussed at the Audit Committee and continue to be monitored closely by senior management and addressed throughout the year.

Non-financial information statement

Our non-financial information statement is set out below on environmental matters, social and employee matters, respect for human rights, and anti-corruption and anti-bribery. Details of our business model can be found on pages 18 and 19, and our principal risks are on pages 62 to 68. Our Modern Slavery Policy and Code of Business Conduct can be found on our website.

Reporting requirement	Policies and standards which govern our approach	Page reference
Environmental matters	Environmental Policy	Page 48 Responsible business review
Social and employee matters	Code of Business Conduct Recruitment Policy Employee handbook Diversity and equal opportunity Grievance Policy Employee assistance programme Health & Safety Policy Data protection	Pages 23 and 24 Our strategy Pages 40 to 55 Responsible business review
Respect for human rights	Supplier Code of Conduct Modern Slavery Policy	Page 55 Responsible business review
Anti-bribery and corruption	Anti-bribery and corruption Policy Whistleblowing Fraud Policy Sanctions Policy	Page 55 Responsible business review Pages 82 to 85 Audit Committee report
Business model		Pages 18 and 19 Business model
Description of principal risks and impact of business activity		Pages 62 to 68 Principal risks and uncertainties
Non-financial key performance indicators		Page 20 Our strategy Pages 40 to 55 Responsible business review

The Strategic report was approved by the Board and signed on its behalf by:

Bertrand Bodson
Chief Executive Officer
15 March 2023

Corporate governance report

Leadership & experience

The Board is comprised of Directors who contribute extensive and diverse skills, knowledge and experience. It is responsible for the overall management of the Group, its long-term objectives and strategy, culture and reputation.

Committee memberships

- A Audit
- N Nomination
- R Remuneration
- E ESG
- Committee Chair

Chairman

Ross Graham

Appointment

July 2013

Skills and Experience

Ross has extensive executive and non-executive experience in the technology sector. Since retiring from Misys plc, he has held a number of non-executive directorships, including Psion plc and Wolfson Microelectronics plc. Ross was appointed Director and Chairman of Keywords shortly prior to its IPO in July 2013.

External Appointments

None.

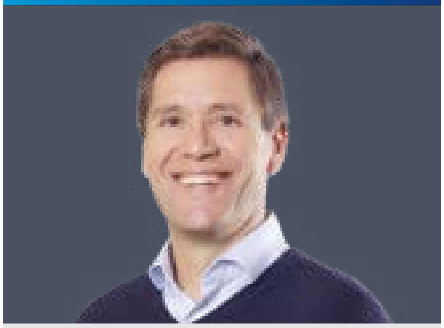
Meeting attendance

100%

Committee membership

A N R

Chief Executive Officer



Bertrand Bodson

Appointment
December 2021

Skills and Experience
Bertrand brings deep experience in driving and executing growth strategies for international businesses. He was Chief Digital Officer for Novartis and previously spent four years as Chief Digital and Chief Marketing Officer at Sainsbury's Argos, leading the integration of Argos into the Sainsbury's store network. Early experience includes senior roles involved with content creation and entertainment at EMI Group, Bragster (which he co-founded) and Amazon.

External Appointments
He is currently a Non-Executive Director of Tesco plc and Wolters Kluwer N.V.

It is intended that Bertrand will step down from the board of Wolters Kluwer N.V. at its AGM in May 2023.

Meeting attendance

100%

Committee membership

E

Chief Financial Officer and Chief Operating Officer Designate

Jon Hauck

Appointment
October 2019

Skills and Experience
Jon has a wealth of finance, change management and M&A experience, having held a variety of roles at Rentokil Initial plc. Over that time, he was CFO in North America and was responsible for leading a substantial integration programme, and from 2015 he held the role of Group Financial Controller and Treasurer. Prior to Rentokil Initial plc, he worked in PwC's Assurance practice. Jon is a Fellow of the ICAEW.

External Appointments
None.

Meeting attendance

100%

Committee membership

E

Senior Independent Non-Executive Director

Charlotta Ginman

Appointment
September 2017

Skills and Experience
A Chartered Accountant, Charlotta has over 30 years of experience working in investment banking and commercial organisations, principally within the technology and telecom sectors. Charlotta has held senior positions with UBS, Deutsche Bank, JP Morgan and Nokia Corporation.

External Appointments
Charlotta is a Non-Executive Director and Chair of the Audit Committee of two investment trusts, Polar Capital Technology Trust PLC and Pacific Asset Trust PLC, as well as Gamma Communications plc (an AIM-listed company). She is also a Non-Executive Director of Unicorn AIM VCT PLC, a venture capital trust, and Boku Inc.

As three out of Charlotta's six non-executive directorships are with investment companies that require less time commitment throughout the year, and the rest are AIM-listed companies with overall less regulatory burden than a company listed on the main market, the Board is satisfied that Charlotta has sufficient time to devote to each of her appointments.

Meeting attendance

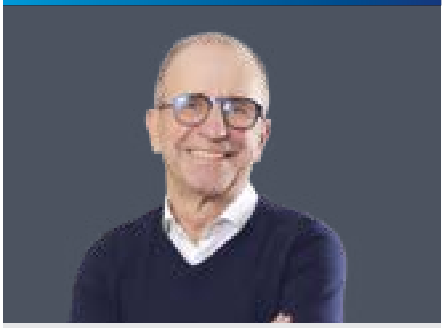
100%

Committee membership

A N R

Corporate governance report continued

Independent Non-Executive Director



Georges Fornay

Appointment
September 2017

Skills and Experience
Georges has over 30 years' experience in the technology and video games sectors and is currently Deputy CEO of Qobuz, the French high-quality music streaming service. Georges worked in senior management at Sony Computer Entertainment (Europe), culminating as Senior Vice President from 2004 to 2011. Georges has also held significant industry-wide roles, including President of SELL, France's Union of Entertainment Software Publishers.

External Appointments
None.

Meeting attendance

100%

Committee membership

A E

Independent Non-Executive Director

Marion Sears

Appointment
August 2021

Skills and Experience
Marion brings extensive investment banking and international M&A experience. She has many years serving on a number of public company boards as a non-executive director, senior independent director, committee chair and People NED, giving her long-standing listed company experience and stakeholder understanding.

External Appointments
Marion is currently a Non-Executive Director at Dunelm Group plc and WH Smith plc and is Senior Independent Director at abrdn New Dawn Investment Trust plc.

Meeting attendance

100%

Committee membership

A N R E

Independent Non-Executive Director

Neil Thompson

Appointment
August 2021

Skills and Experience
Neil held a number of senior positions within Microsoft Corporation, including as part of the management team that launched Xbox in Europe and for a number of years ran Microsoft's Consumer and Devices business across EMEA. He has extensive experience of scaling new businesses across international territories and building resilient organisations in constantly changing environments.

External Appointments
He is a Non-Executive Director at E.P. Barrus Ltd. and acts as a board adviser to start-up SaaS businesses.

Meeting attendance

100%

Committee membership

A N R E

Independent Non-Executive Director and Chair Designate

Don Robert

Appointment

February 2023

Skills and Experience

Don was CEO of Experian plc for nine years, during which time he more than doubled operating profits and scaled the business into a global market leader. He subsequently became Chair of Experian between 2014-2019. He has also served as a Non-Executive Director of Court for the Bank of England and Senior Independent Director of Compass Group. Prior to joining Experian, Don held executive positions with First American Financial Corp. and U.S. Bank.

External Appointments

Don currently serves as Chair of the London Stock Exchange Group (LSEG). He is also involved in several private technology-focused businesses.

It is intended that Don will become Chair at Keywords' Annual General Meeting on 26 May 2023 as part of the planned succession for Ross Graham.

Meeting attendance

N/A

Committee membership

N

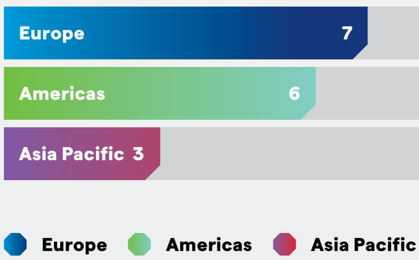
Attendance at 2022 Board and Committee meetings

			Committees			
Principle	**Overall**	**Board**	**Audit**	**Remuneration**	**Nominations**	**ESG**
Bertrand Bodson	100%	11/11	–	–	–	4/4
Jon Hauck	100%	11/11	–	–	–	4/4
Ross Graham	100%	11/11	5/5	6/6	3/3	–
Charlotta Ginman	100%	11/11	5/5	6/6	3/3	–
Georges Fornay	100%	11/11	5/5	–	–	4/4
Marion Sears	100%	11/11	5/5	6/6	3/3	4/4
Neil Thompson	100%	11/11	5/5	6/6	3/3	4/4
Don Robert	n/a	–	–	–	–	–
Sonia Sedler	67%	2/3	–	–	–	–
David Reeves	100%	5/5	2/2	3/3	2/2	1/1
Giorgio Guastalla	100%	1/1	–	–	–	–

It is noted that:

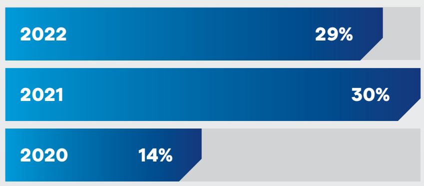
- Sonia Sedler retired from the Board on 18 March 2022.
- David Reeves retired from the Board on 20 May 2022.
- Giorgio Guastalla retired from the Board on 26 January 2022.
- Don Robert joined the Board on 1 February 2023.

Directors with experience in our geographic regions (of 8 maximum)



Directors with relevant experience against our strategic pillars (of 8 maximum)

Women on the Board (as at 31 December)



Chairman's introduction

The Board encourages good corporate governance and an enterprising culture to promote the long-term success of Keywords.

Ross Graham
Chairman of the Board

It gives me great pleasure to introduce, for the last time before my retirement, the Corporate Governance Report for 2022.

The Board is committed to the highest standards of corporate governance, effective engagement with our stakeholders and rigorous oversight of strategic, financial and risk matters, to promote the long-term success of this exciting business. This report will provide insight into how the Board operated during the year, its principal activities and the key issues considered.

As Chairman of the Board, it is my responsibility to ensure that the Group has both sound corporate governance and a Board which is mindful of its responsibility to all stakeholders, and in particular to the creation of shareholder value and nurturing our most important asset, our people. My responsibilities include leading the Board effectively, overseeing the Group's corporate governance model, communicating with shareholders and ensuring that good information flows freely between management and Non-Executive Directors in a timely manner. An internal Board evaluation conducted in 2022 concluded that the Board continues to operate well, and some minor actions were agreed to further enhance the Board's operational effectiveness in 2023.

The Board recognises the value of good corporate governance in promoting the long-term success of the Company. The Company adheres to the Quoted Companies Alliance "Corporate Governance Code" (QCA Code), which we believe is the most appropriate for Keywords. The Board regards the application of the QCA Code as a valuable tool to underpin the Board's effective operation and the Group's long-term success; however, the Board is also committed to the highest standards of corporate governance and, as such, seeks to comply with the principles of the UK Corporate Governance Code 2018 where possible and appropriate.

The Board is assured that the Company continues to comply with the QCA Code in all applicable respects. Our QCA Code disclosures within this Annual Report are summarised in the following table and the following pages present a comprehensive statement of how we have applied the QCA Code during the year.

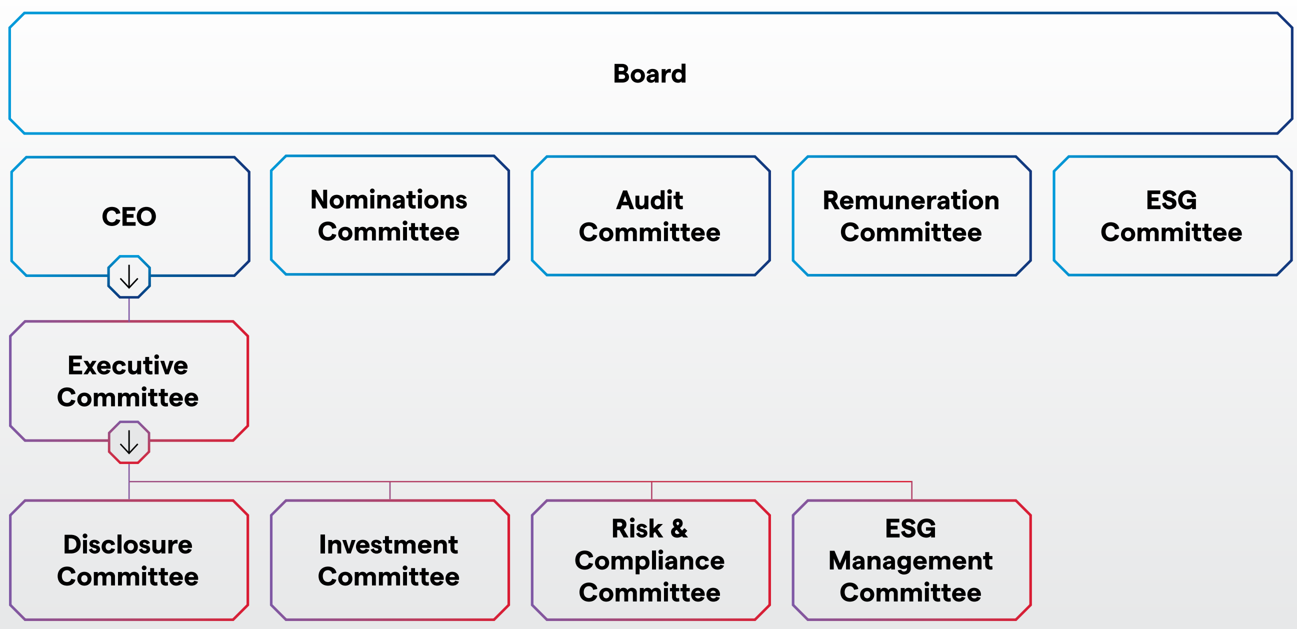
I am confident that, when he succeeds me as Chairman at the 2023 AGM, Don Robert will continue to ensure strong corporate governance practice at Keywords.

Corporate governance report continued

QCA Corporate Governance Code

Principle		Disclosure within this report
1	Establish a strategy and business model which promotes long-term value for shareholders	Pages 18–33
2	Seek to understand and meet shareholder needs and expectations	Pages 56–57
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	Pages 40–57
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	Pages 62–68
5	Maintain the Board as a well-functioning, balanced team led by the chair	Pages 70–81
6	Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	Page 73
7	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	Page 79
8	Promote a corporate culture that is based on ethical values and behaviours	Pages 42–47
9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	Pages 74–79
10	Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Pages 76–79

Governance structure



Corporate governance report continued

Strategy and business model

A description of the Company's strategy, business model and supporting strategic pillars, along with key attributes of our positioning and growing maturity, can be found in the Strategic report on pages 1 to 69.

Shareholder needs and expectations

The Board is committed to maintaining good communication and constructive interaction with all shareholders. In addition to its regulatory disclosure obligations, the Executive Directors and divisional management meet shareholders, potential investors and market participants at regular intervals, through analyst and investor presentations, roadshows and attendance at investor conferences. The Group has a dedicated investor relations function, which is responsible for managing relationships with all market participants throughout the year and there is an investor relations section of the corporate website which hosts corporate disclosures and other pertinent information. The Chairman is also available to meet with the largest shareholders during the year without management present.

The whole Board attends the Annual General Meeting, which we regard as an opportunity to meet, listen and present to our shareholders, and all shareholders are encouraged to attend and ask questions. Shareholders who were unable to attend were also given the opportunity to submit questions to the Board in advance via email, and a videoconferencing facility was made available for shareholders to pose questions live at the meeting. The Board were pleased that this approach generated constructive engagement between the Board and shareholders at the meeting, and that it took into account the accessibility needs of our shareholders.

The Board is committed to maintaining effective communication and having constructive dialogue with its shareholders. The Company aspires to have close ongoing relationships with its private shareholders, institutional shareholders and analysts, and for them to have the opportunity to discuss issues and provide feedback at meetings with the Company. The Company receives reports from proxy voting agencies, reviews their findings and meets to discuss shareholder matters. The Board maintains that, if there is a resolution passed at a general meeting with 20% votes cast against, the Company will seek to understand the reason for the result and, where appropriate, take suitable action.

At the 2022 AGM, all resolutions were passed comfortably except Resolution 2 which passed with 66.3% of votes in favour. The Company issued an announcement providing an explanation as to the result and inviting shareholders to submit their interests to the Company, which were then considered by the Board, and the Chair of the Remuneration Committee was charged with engaging with those shareholders in early 2023. The votes on all resolutions were taken on a poll to ensure that full shareholder representation was reflected. All corporate documents, including historical annual reports, notices of general meetings and details of the 2022 AGM results, can be found online at www.keywordsstudios.com.

Investors have access to current information about the Company through the Company's website, www.keywordsstudios.com. The Company promotes electronic communications with shareholders to be more efficient and mindful of its environmental impact.

Wider stakeholder and social responsibilities

The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long-term value to its shareholders whilst being cognisant of the interests of other stakeholders. The Board recognises that the long-term success of the Company relies upon good relations with other key stakeholders, identified as our workforce, clients, suppliers and communities. The Board has put in place a range of processes to ensure it maintains close contact with these key stakeholders.

The ESG Committee is responsible for oversight of Group initiatives designed to promote the long-term success of the Company as a sustainable, well-governed and responsible employer, partner, supplier and customer. A summary of its activities is presented on pages 102 and 103.

The Company has developed close relationships with many of its key stakeholders and provides them with the opportunity to raise issues and provide feedback to the Company. Examples include customer feedback surveys, strategy discussions with key clients, employee surveys and a variety of communication sessions to cater for various employee groups. Full details of the Company's and the Board's engagement with its stakeholders is presented on pages 56 and 57.

Culture

The Board recognises that its decisions regarding strategy and risk may impact the culture of the Group and that this may impact the performance of the Company. The Board is also aware that the tone and culture set by the Board can have an important influence on employee behaviour.

In 2022, our "Rule of Nine" corporate values were reviewed and replaced with a new set of five core leadership principles under the rubric "Imagine More". These underpin our corporate culture and promote entrepreneurial and open ways of working, so we can build close, trusting relationships with colleagues, suppliers, partners and clients.

A whistleblowing process operates across the Group to encourage employees and other stakeholders to report suspected misconduct, illegal acts or failures to act. The aim of this is to create a safe environment for employees and others who have serious bona fide concerns about any aspect of the Group's work to come forward and voice those concerns without personal risk of retribution or reprisal. The Board reviewed the operation of the whistleblowing portal and received regular reports of incidents and investigations, and is confident that a robust process is in place.

The Board seeks to better understand the interests of employees through an annual employee survey, which in 2022 had over 8,000 employees across the Group participating (approximately 79% of all employees), and regular town hall meetings which provide a forum for management to present important matters and respond directly to feedback from employees. Further details can be read on pages 44 and 45.

The ESG Committee is responsible for overseeing workforce matters, including corporate culture, further details of which can be read in the ESG Committee report on pages 102 and 103.

Internal controls and risk management

The Board recognises the need for an effective and well-defined risk management process and it oversees and regularly reviews the Group's risk management and internal control mechanisms. The status of our principal risks, as well as any emerging risks, is recorded in a comprehensive risk register for discussion at the Audit Committee. The Company's principal risks, along with key challenges in the execution of the Company's strategy, and along with the controls implemented to mitigate them, can be found on pages 62 to 68.

The Audit Committee is responsible for the oversight of the Company's risk management and internal controls and procedures, as well as determining the adequacy and efficiency of internal control and risk management systems. This process enables the Board to determine whether the risk exposure has changed during the year. When setting and implementing strategy, the Board takes into account the principal risks and seeks to limit the extent of the Company's exposure to them, having regard to both its risk tolerance and risk appetite, through appropriate mitigations.

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

- Board meetings are held at least eight times per year, with which contain reports from and discussions with management on performance and key risk areas in the business.
- Monthly financial reporting, for the Group and for each service line, of actual performance compared to budget and the prior year and a dashboard of Key Performance Indicators.
- Visits to key studio locations.
- Annual budget setting.
- Robust cash management.
- Annual strategy conference with the senior leadership team.
- A defined organisational structure with appropriate delegations of authority.

The Board

The Board, as a whole, is responsible for the overall management of the Group and for its strategic direction, including approval of the Group's strategy (including corporate and business development), its corporate culture, its annual business plans and budgets, the interim and full year financial statements and reports, any dividend proposals, the accounting policies, major capital projects, treasury management policies, any investments or disposals, its succession plans and the monitoring of financial performance against budget and the formulation of the Group's risk appetite, including the identification, assessment and monitoring of Keywords' principal risks.

The Board comprises two Executive Directors, Bertrand Bodson (CEO) and Jon Hauck (CFO), and six Non-Executive Directors, Ross Graham (Chairman), Charlotta Ginman (Senior Independent Director), Georges Fornay, Marion Sears, Neil Thompson and Don Robert (who joined the Board on 1 February 2023). Director biographies and Committee memberships are detailed on pages 70 to 73. Details of directorship changes in the year can be read in the Nominations Committee report on page 81.

Letters of appointment of all Directors are available for inspection at the Company's registered office during normal business hours. The Executive Directors work full-time for the Company. All Non-Executive Directors are expected to dedicate at least 30 days per annum to the Company, rising to 40 days if they also chair a committee, and the Chairman is expected to dedicate 60 days per annum. The Company has adopted a policy whereby all members of the Board are subject to re-election at each AGM. In practice, all the Non-Executive Directors spend more than the minimum number of days on Company business.

Charlotta Ginman currently holds six non-executive directorships. Of those, three roles are at investment companies that generally only have four to five meetings a year, and the other three are at AIM-listed entities, with less regulatory burden than premium listed companies, and the Nominations Committee is therefore confident that Charlotta has sufficient time to devote to her Keywords role. In particular, during 2022 Charlotta dedicated additional time in leading the Chairman search and audit tender process.

The Board is satisfied that it has a suitable balance between independence and knowledge of the Company, and that no individual or group may dominate the Board's decisions. The Non-Executive Directors have both the breadth and depth of skills, and experience, to effectively discharge their responsibilities. The Board conducted a comprehensive review of its skills, knowledge, experience and diversity, and concluded that the current balance of skills on the Board, as a whole, reflects a broad range of personal, commercial and professional experience, including a variety of financial and managerial skills. The graphic on page 73 shows the strength of experience relating to our strategic priorities.

The Chairman fosters healthy debate in the boardroom by encouraging all Directors to use their independent judgement and to robustly challenge management on strategic and operational matters.

The Board meets a minimum of eight times a year and a forward schedule of meetings and matters is fixed to ensure the Board considers a broad range of appropriate matters. Given the global nature of our business, the Directors meet in person and remotely, as required, with senior managers across the business and visit one or two studios each year. Meetings are open and constructive, with every Director participating fully. Executives are invited to present deep dives on particular areas of interest to the Board, providing the Board the opportunity to engage directly with senior managers and maintain a comprehensive view of the business. Management supply the Board with appropriate and timely information and the Directors are free to seek any further information they consider necessary.

In line with good corporate governance practice, the responsibilities of the Chairman and CEO are separate and well defined. A copy of the Chairman/CEO Split of Responsibilities is available on the Company's website www.keywordsstudios.com.

Corporate governance report continued

Charlotta Ginman succeeded David Reeves as the Senior Independent Director (SID) of the Company, serving as a sounding board for the Chairman and acting as an intermediary for the other Directors. The SID is also available to shareholders and other Non-Executive Directors to address any concerns or issues they feel have not been adequately dealt with through the usual channels of communication. The Board has the mix of skills, experience and capabilities required to fulfil its responsibilities. The Company believes that the current balance of skills in the Board as a whole reflects a broad range of commercial and professional skills across geographies and industries and each of the Directors has experience in public markets.

The Non-Executive Directors meet without Executive Directors present and maintain ongoing communications with Executive Directors between formal Board meetings. In addition to their general Board responsibilities, Non-Executive Directors are encouraged to be involved in specific workshops or meetings, in line with their individual areas of expertise.

The Chairman is supported by the General Counsel and Company Secretary, Andrew Kennedy, in maintaining excellent standards of corporate governance and providing necessary updates to the Board on corporate governance developments and AIM regulations.

The Directors have access to the Company's nominated adviser, company secretary, lawyers and auditors and are able to obtain external advice, as required. The Directors are entitled to take independent legal advice and if the Board is informed in advance, the cost of the advice will be reimbursed by the Company.

The Board reviews annually the appropriateness and opportunity for continuing professional development, whether formal or informal.

Nominations Committee

The Nominations Committee is chaired by Ross Graham and its other members are Charlotta Ginman, Marion Sears, Neil Thompson and Don Robert. The Nominations Committee is responsible for keeping under review the structure, size and composition of the Board, its Committees, and the Executive Committee. Further information on the Nominations Committee, including its role and responsibilities, can be found in the Nominations Committee Report on pages 80 to 81.

Audit Committee

The Audit Committee is chaired by Charlotta Ginman, and its other members are Ross Graham, Georges Fornay, Marion Sears and Neil Thompson. The Audit Committee is responsible for overseeing financial reporting, risk management, internal control procedures and internal audit, as well as the appointment, removal and scope of work of the external Auditor (including non-audit services, independence and objectivity). Further information on the Audit Committee can be found in the Audit Committee Report on pages 82 to 85.

Remuneration Committee

The Remuneration Committee is chaired by Marion Sears, and its other members are Ross Graham, Charlotta Ginman and Neil Thompson. The Remuneration Committee is responsible for determining the remuneration of the Chairman (with the Chairman absenting himself), Executive Directors and senior executives of Keywords. The Remuneration Committee is responsible for making recommendations to the Board on Directors' and senior executives' remuneration. Non-Executive Directors' remuneration is determined by the Executive Directors. Further information on the Remuneration Committee can be found in the Directors' Remuneration Report on pages 86 to 101.

ESG Committee

The ESG Committee is chaired by Georges Fornay and its other members are Neil Thompson, Marion Sears, Bertrand Bodson and Jon Hauck. The remit of the ESG Committee is to oversee the following areas which have been identified as environmental, social and governance priorities: (i) people; (ii) client; (iii) community; and (iv) planet; and all underpinned by (v) corporate governance. Further information on the ESG Committee, including its role and responsibilities, can be found in the ESG Committee report on pages 102 and 103.

The Matters Reserved for the Board and terms of reference for all the Committees are available on the Company's website www.keywordsstudios.com.

Executive structure

During the year, the governance structure of the executive management was reviewed to enhance support of the Board and its Committees. The Disclosure Committee, managing market disclosures, and the ESG Management Committee, driving ESG programmes, were reconstituted. We also established the Investment Committee, responsible for key decisions of the Group, and Risk & Compliance Committee, reviewing risk and financial controls and legal and regulatory compliance.

Board evaluation

In 2022, an internal evaluation of the effectiveness of the Board and its Committees was conducted with the support of the Company Secretary, which concluded that the Board and its Committees continue to operate effectively. An externally facilitated evaluation was last conducted in 2021 and the Board is committed to a periodic external evaluation.

The 2022 evaluation exercise comprised two stages. The first stage was a detailed questionnaire to gather feedback from each Director on the overall performance of the Board and the Board's Committees. The second stage was a series of individual discussions held between the Chairman with each Director and the Senior Independent Director with the Chairman. The areas addressed by the evaluation were: composition and skills, culture and integrity, operating effectiveness and efficiency, stakeholder engagement, quality of information and ongoing development, the overall contribution of each Director and the effectiveness of the Chairman.

Progress was noted for all areas highlighted for attention in 2022, as follows:

- Succession planning for the Chairman, COO and CFO roles included an assessment of candidates with media and entertainment, technology or videogame experience.
- More time at Board meetings was dedicated to discussions on culture and long-term strategic and operational plans.
- Contact between the Board and senior management team was enhanced with three Board visits to studios during 2022, two executive summits, and a series of subject matter deep dives presented by senior managers to the Board.

Following a review of the findings of the 2022 evaluation, the Board has highlighted the following areas for attention in 2023:

- To review opportunities for enhancing engagement with key stakeholders.
- To offer Directors a range of opportunities for development.
- More time dedicated at meetings to review (i) acquisition success and integration activity, and (ii) competitors.
- Succession planning for members of the executive committee.

Advisers

The Board has regular contact with its advisers to ensure that it is aware of changes in corporate governance procedures and requirements and that the Group is, at all times, compliant with applicable rules and regulations. The Company had Director and Officers' liability insurance cover in place throughout the year and it is intended for the policy to continue for the year ending 31 December 2023 and subsequent years. Additionally, the Company provides an indemnity in respect of all the Company's Directors or other officers of the Company against all costs, charges, losses, expenses and liabilities incurred by them in the execution and discharge of their duties.

The Company's nominated adviser, Numis, provides guidance on regulatory and corporate governance matters to the Board, as required.

The Company has retained Deloitte LLP, who provide advice in relation to remuneration matters. Additional information can be found in the Remuneration Report on page 94.

Directors may receive independent professional advice at Keywords' expense, if necessary, for the performance of their duties.

Nominations Committee report

We are pleased to welcome Don Robert as a Non-Executive Director and Chair Designate.

Ross Graham
Chairman of the Nominations Committee

At a glance

Committee membership

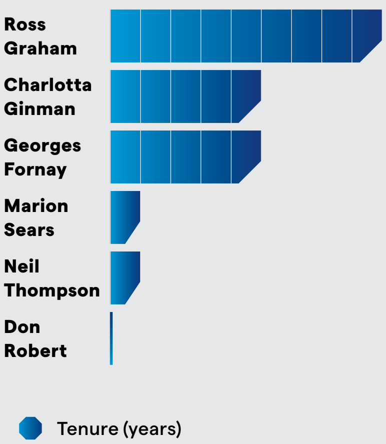
The Committee is comprised of Independent Non-Executive Directors and is chaired by the Chairman of the Board.

The biographical details of the members of the Committee and their attendance at meetings during the year can be found on pages 70 to 73.

Key responsibilities

- Review the structure, size and composition of the Board
- Consider succession planning for Directors, the Company Secretary and Executive DIrectors
- Evaluate the balance of skills, experience, knowledge on the Board, as well as its independence and diversity
- To review the time commitments of Directors

Succession planning



Changes to the Board and Committees

On 27 January 2022, Giorgio Guastalla resigned as a Non-Executive Director and, on 18 March 2022, Sonia Sedler stepped down as Chief Operating Officer. At the Company's AGM on 20 May 2022, David Reeves retired as a Director following the completion of nine years of service, at which time Charlotta Ginman and Marion Sears succeeded him as Senior Independent Director and Chair of the Remuneration Committee, respectively. We were pleased to announce in October 2022 that Jon Hauck had been appointed as Chief Operating Officer Designate and would continue in his CFO role until a successor is appointed to ensure a smooth transition of responsibilities.

In July 2022, I completed nine years' service but agreed to remain in the Chairman position for a further year as the Committee, supported by the whole Board, deemed it necessary to ensure the continued smooth operation of the Board and provide robust support for Bertrand Bodson as the recently appointed CEO. In February 2023, Don Robert joined the Board as a Non-Executive Director and Chair Designate, to succeed me as Chairman following the 2023 AGM. Don brings a strong track record of building and leading international businesses.

Details of the independent evaluation of the Board's and Committees' performance can be read on page 79.

Succession

Succession planning is designed to consider the planned process of transition to new leadership over time and also the potential for unforeseen change over a shorter time frame. In respect of the longer-term Board composition, as Board members progress through their tenure, the Committee continues to consider their independence. The tenure of Non-Executive Directors is shown on page 80.

Charlotta Ginman chaired a sub-committee charged with the search for my successor and, following a search facilitated by Lygon Group (having no other connection with the Company or Directors) and a rigorous selection process, Don Robert was appointed as a Non-Executive Director and Chair Designate.

Following the appointment of Jon Hauck as COO, a comprehensive process is underway to identify a suitable candidate for the CFO role and the search criteria emphasises financial, technology and international experience. The Committee is mindful of current diversity guidelines for UK listed companies.

The Board is committed to effectively managing leadership succession and proactively engages with executives to assess the wider senior manager talent pool. The Board and its committees receive regular contributions from executives and senior managers throughout the year. These contributions are valuable for the Board's decision-making and have helped the Non-Executive Directors to develop a clear understanding of the strength of the management team.

Skills and experience

The Committee is responsible for keeping under review the composition of the Board and succession to it. It reviewed the size, composition and skill set of the Board during the year and concluded that there was an appropriate mix of experience, skills and knowledge to provide effective leadership of its business activities. Consideration was given to the deep industry knowledge provided by Georges Fornay and Neil Thompson, strong financial knowledge provided by Ross Graham and Charlotta Ginman and broad experience of technology and growing global businesses.

Full biographical details of our Directors, and details of Board composition and mix of relevant skills and experience against our strategic priorities, can be read on pages 70 to 73.

Diversity

The Board sees championing diversity, equity, inclusion and belonging as one of its key commitments. Our Board composition was 29% women Directors at 31 December 2022, 25% on 1 February 2023 following the appointment of Don Robert and will be 29% following the 2023 AGM, when Ross Graham steps down as a Director. Charlotta Ginman is our Senior Independent Director as well as Chair of the Audit Committee, providing extensive financial experience to the Board.

The Committee regularly reviews the Board Diversity Policy, which acknowledges that an effective Board will include and make good use of differences in the skills, geographic and industry experience, background, ethnicity, gender and other distinctions between Directors. It emphasises that, in identifying suitable candidates for appointment to the Board, the Committee will consider candidates on merit against objective criteria, with due regard for the benefits of diversity on the Board and the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

The Company is focused on improving diversity across the entire Group from the boardroom to the studios. Information about diversity across the Group can be found on pages 46 and 47.

Time commitment

During the year, the Committee reviewed the time commitments of Board roles. External appointments held by Directors were considered and assessed as providing valuable experience and insights for Directors to apply to their role at Keywords, and do not impact a Directors' ability to dedicate the required time to Keywords.

Activities in the year

During the year, the Committee's key activities included:

- The search for the Chairman role;
- The search and selection process for the COO role, and nomination of Jon Hauck;
- The search for the CFO role;
- Conducting a Board effectiveness review; and
- Assessing the skills, knowledge and experience and diversity on the Board and the time commitments of Directors.

Induction and development

Don Robert was appointed to the Board on 1 February 2023 and is currently engaged in a comprehensive induction programme, including meetings with each of the Directors, executives and key external stakeholders, to obtain a deep understanding of the business' operations and environment, corporate governance matters, investor relations and M&A.

Non-Executive Directors are encouraged to be involved in specific workshops or meetings, in line with their individual areas of expertise. Further training and development needs are assessed on a periodic basis and as part of Board and Committee evaluations.

Governance

The Committee meets at least twice a year and at such other times as the Committee Chair or any member of the Committee may request. The Committee has formal terms of reference which can be viewed on the Company's website, www.keywordsstudios.com.

Company Secretary

The Directors had direct access to the General Counsel and Company Secretary, Andrew Kennedy, for advice on legal and corporate governance matters.

2023 plan

The Committee has two meetings scheduled for 2023. Its attention will be focused immediately on succession planning for the CFO role, and afterwards reviewing the balance of skills, knowledge, experience and diversity on the Board to identify areas of focus for future Non-Executive Director recruitment.

Ross Graham

Chairman of the Nominations Committee

15 March 2023

Audit Committee report

Focusing on financial performance, balanced reporting, risk oversight, and effective internal and external audit activities.

Charlotta Ginman
Chair of the Audit Committee

At a glance

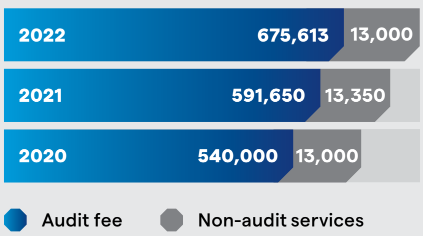
Key responsibilities

- Oversight of integrity of financial reporting, including significant judgements and an assessment of fair, balanced and understandable disclosures
- Monitor the risk management system, including principal and emerging risks
- Review effectiveness of the internal audit function and oversight of internal control systems
- Review the effectiveness of the external audit, including independence and objectivity
- Set the audit fee and services and review engagements for non-audit services

Membership and attendance

- The Committee members are Charlotta Ginman, Ross Graham, Georges Fornay, Marion Sears and Neil Thompson. Ross will remain on the Committee for 2023 until he retires from the Board
- More information about the Committee members and their attendance during the year can be found on pages 70 to 73

Non-audit services (€)



Introduction from the Chair

I am pleased to present, once again as Chair of the Audit Committee, the report for the year ended 31 December 2022. This report details the work of the Committee over the past year, fulfilling our responsibilities to provide effective governance over the Group's financial activities.

Composition and attendance

The Audit Committee, as a whole, has competence relevant to the video games industry, both Ross Graham and I are Chartered Accountants and I also chair the Audit Committees for other public companies. The Committee met five times during the financial year and all members attended all Committee meetings. Meetings have been held in person, with some invitees attending remotely via videoconferencing, which has enabled the Committee to operate effectively and allow senior managers to participate in meetings from whichever region they are located.

Role and responsibilities

The Committee has written terms of reference which are available to view on the Company's website www.keywordsstudios.com. The terms of reference clearly define the Committee's responsibilities and duties and these were reviewed by the Committee and approved by the Board in December 2022. In addition to the terms of reference, the Committee has developed an annual agenda which corresponds with the meeting schedule, to ensure all key responsibilities are completed and managed.

Significant matters considered by the Committee during the year

Key reporting issues

During the year and as part of the year-end procedures, the Committee considered the following key financial matters in relation to the Group's financial statements and disclosures with input from both management and the external auditor:

- Business combinations – we reviewed, the key business combination accounting assumptions used during the year.
- Valuation of goodwill and intangible assets – we received goodwill impairment review results, and challenged the underlying assumptions made. In particular, we held robust discussions around suggested changes to the Company WACC and the justifications and implications of this.
- Segmental reporting – in particular, changes to segmental reporting to align with the new organisational and reporting structures: Create, Globalize and Engage.
- Revenue recognition – we reviewed, as part of the regular CFO update, areas of material judgement relating to revenue recognition in client contracts.
- Functional currency – we reviewed papers supporting the functional currency of the Group.
- Taxation – we considered tax management practices across the Group and reviewed the updated Tax Policy Statement and Anti-Tax Evasion Policy.
- During the year, we continued to closely monitor the impact the Ukraine crisis has on the Group.

Furthermore, the Committee discussed management estimates and judgements in connection with bad debt provisioning (IFRS 9), going concern, taxation and treasury. For further detail on these, see the Notes forming part of the consolidated financial statements on pages 117 to 156.

Annual report and financial statements

The Board has asked the Committee to confirm that, in its opinion, this Annual Report as a whole can be taken as fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position, performance, business model and strategy. In doing so, the Committee has given consideration to:

- the way the Strategic Report (including the Chairman's statement and reports of the CEO and CFO) presents the Group and its operations, financial and business model and the metrics management uses to measure performance;
- whether suitable accounting policies have been adopted and have challenged the robustness of significant management judgements and estimates reflected in the financial results;
- the comprehensive control framework around the production of the Annual Report, including the verification processes in place to deal with the factual content;
- the extensive levels of review that are undertaken in the production process, by both management and advisers; and
- the Group's internal control environment.

The Group uses certain APMs to present its results alongside the statutory financial statements. These are non-GAAP measures used by management and the Board designed to provide the users with a further understanding of the trading performance of the business. An explanation of the APMs and a reconciliation to the nearest statutory equivalent measure is provided on pages 165 to 170.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31 December 2022, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, and it has reported on these findings to the Board.

Internal control and risk assurance framework

The Committee has continued to review and challenge the upgrades that have and are taking place during the year to the Company's internal control and risk assurance framework to ensure that following its rapid expansion, the Company operates within a fit-for-purpose framework.

Twice a year, at the time of the interims and full year results, the regional heads of operations, finance teams and service line directors provide to the CFO, management confirmations of compliance in such areas such as key policy rollouts, risk reviews, internal controls and contract management.

The Committee was pleased to see the implementation of a performance management system, which unified budgeting, forecasting, consolidation, and performance reporting activities across the Group.

The industry and our clients require the highest standards of security. During 2022, Keywords updated the Group Information Security Framework to align to industry standards. A deep dive review of information security and cybersecurity was undertaken. For 2023, the security programme will place strategic focus on building the technology spine of the business, in line with the Technology strategic priority, and further enhancements including security controls and a global risk assessment framework.

Audit Committee report continued

During the year, the Committee continued its regular review of the Company's principal risks on behalf of the Board, ensuring these are top of mind and relevant, and mitigation plans are in place where appropriate. During 2022, the Committee reviewed the Risk Register at each meeting and conducted a deep dive review in January 2022 and 2023, considering the principal and emerging risks identified from both the top-down Board risk overview and the bottom-up senior leadership team review. A comprehensive overview of our principal risks, and changes in the year, can be read on pages 62 to 68.

There was greater emphasis on the risk of fraud during the year. The Committee took comfort from a report from management, as part of its year-end procedures, on the low likelihood of a material misstatement of the financial results caused by fraud, error or omission and mitigating controls and procedures in place to prevent this happening.

Internal audit

The Head of Internal Audit reports into me, the Chair of the Audit Committee, with a dotted line into the CFO. The activities of the internal audit function are governed by an Internal Audit Charter which was re-approved and signed off by the Committee during the year. The 2022 internal audit plan was revised to take into account the ability to conduct site visits in person. The Committee received updates on the results of internal audit work, including:

- integration of recently acquired businesses;
- implementation and communication of Group policies;
- business assurance processes; and
- IT and physical security.

During 2022, the Head of Internal Audit continued to benefit from dedicated support from Deloitte Ireland to provide a risk assessment and internal control review of the Group, to:

- gain an external view of the material risks, including financial and operational risks;
- review our internal controls framework for three key process areas: customer onboarding, intercompany transactions, and hire-to-retire practices; and
- implementing remediation plans and alternative controls.

The results of this review were presented to the Committee at each meeting throughout the year and helped us to scope the 2023 internal audit plan.

Group policies

Key Group policies relating to financial and compliance processes are reviewed annually by the Committee, including:

- Protected disclosures (whistleblowing)
- Anti-bribery and corruption
- Non-audit services
- Employment of former auditors
- Anti-tax evasion
- Anti-fraud and theft
- Information security and cybersecurity
- Data protection

Whistleblowing

During the year, a new externally facilitated whistleblowing portal was implemented to co-ordinate responses to protected disclosures received and to securely handle confidential or anonymous reports in line with data privacy rules and the latest whistleblowing legislation in relevant jurisdictions where we operate.

The portal gives employees and third parties the opportunity to raise any concerns they may have about possible financial or other irregularities confidentially, anonymously if they wish. During 2022, eight reports were received, which were fully investigated and either substantiated and resolved or disproven (2021: three). The greater number of reports received in the year gives the Committee confidence that employees are aware of the whistleblowing portal and are confident to use it without fear of retribution.

External audit

Audit services

The Auditor is appointed by the shareholders annually to provide an opinion on financial statements prepared by the Directors. BDO, the Company's current Auditor, was first appointed in 2013. Currently, Stephen McCallion acts as our lead partner.

The Auditor attends all Committee meetings. The scope of the current annual year-end audit was agreed in advance with the Committee with a focus on areas of audit risk and the appropriate level of audit materiality. The Committee also had discussions with the auditor on fees, internal controls, accounting policies and areas of critical accounting estimates and judgements.

Following the audit, BDO reported to the Committee on the results of the audit work and highlighted any issues identified, or that the Committee had previously identified as significant or material in the context of the financial statements.

There were no adverse matters brought to the Committee's attention in respect of the 2022 audit, which were material and which should be brought to the Company's shareholders' attention.

Effectiveness

The Committee monitored and evaluated the effectiveness of the Auditor under the current terms of appointment based on an assessment of the Auditor's performance, qualification, knowledge, expertise and resources and in light of current COVID-19 restrictions. The Auditor's effectiveness was also considered along with other factors such as audit planning and interpretations of accounting standards and separate discussions with management (without the Auditor present) and with the Auditor (without management present). I also held discussions with the audit partner throughout the year outside of Committee meetings.

The Committee was satisfied that the audit was effective and that BDO continues to demonstrate the skills and experience needed to fulfil its duties effectively.

Independence and non-audit fees

The non-audit services policy was reviewed and updated in 2022. Any non-audit services are required to be pre-approved in advance by the Committee. During the year, BDO provided non-audit services to the Company of €13,000 (2021: €13,350), representing work done in association with the interim accounts.

In order to fulfil the Committee's responsibility regarding independence of the Auditor, the Committee reviewed the senior staffing of the audit, the Auditor's arrangements concerning any conflicts of interest, the extent of any non-audit services, the fact that no former external auditors have been employed in the business, and the Auditor's independence statement. The Committee was satisfied that the Auditor remains independent.

Audit tender

During 2022, as stated in our 2021 Annual Report, the Company had initial discussions with a number of potential Irish audit firms we had hoped would participate in an audit tender during the second part of the year.

It became apparent during those discussions that the Irish audit market is experiencing a turbulent time, with no one qualifying firm able to fully commit to partaking in a tender this year. Reasons stated were acute staff shortages in the Irish audit market. This, coupled with our pending change of CFO following the current recruitment process, led us to believe that forcing an audit tender during the year could seriously risk the quality of our audit for next year. We held extensive discussions with BDO, and together concluded that the best option for the Company was to delay the audit tender for a year or possibly two, allowing the Irish audit market to settle down. Whilst BDO has been our auditor for 10 years (and best practice would be to run a tender), Stephen McCallion has only acted as lead partner for three of the five years he has been involved with the Company's audit. We therefore believe he remains independent and able to carry on as lead partner for a maximum two more years. BDO Ireland has confirmed to us that they share this view and this potential continuation is not in breach with their internally set independence guidelines.

The Audit Committee has therefore, in accordance with the 2019 Ethical Standard, recommended to the Board that BDO should in these exceptional circumstances be proposed to remain the Company auditor for 2023 at the upcoming AGM.

Focus for the coming year

The Committee has five meetings scheduled for 2023. Attention will be focused on reviewing the internal controls framework for other key process areas and overseeing the enhancement of compliance processes.

Charlotta Ginman FCA

Chair of the Audit Committee

15 March 2023

Case Study

Principal risk deep dive: Information and cybersecurity

In October 2022, the Board held a deep dive session with the Information and Cybersecurity team to discuss the current state of maturity of the Group, progress made in the year and the strategic priorities for the future.

The Board recognises information and cybersecurity as one of the Group's principal risks, assessed as having a high likelihood and severe potential impact. As such, regular updates are presented to the Board and each year a deep dive is conducted to review this fast-evolving area.

Areas that were the subject of focused discussion included:

- the level of investment in the information and cybersecurity programme;
- the maturity of the Group;
- lessons learned from past incidents;
- the standardisation of policies and processes across the Group;
- communications with clients regarding Keywords' programme and incidents; and
- internal training for employees.

The Board were pleased to note the growing team supporting our studios around the world, and the continued investment in technological solutions, which together were enhancing the Group's visibility of, and ability to respond to, cyber incidents. The key priority for the coming year was agreed: to develop a crisis management plan, asset management framework and risk impact assessments across the Group.

Furthermore, additional feedback loops to the Board on security incidents and penetration testing activity were implemented to ensure Directors remain up-to-date on information and cybersecurity matters, in light of their strategic and operational importance.

Directors' Remuneration report

Focusing on fair pay for all employees, competitive rates for the wider workforce and a balanced structure with incentives for executives that align with shareholder experience.

Marion Sears
Chair of the Remuneration Committee

At a glance

Committee membership

The members of the Committee are Non-Executive Directors (all of whom are independent) and the Chairman of the Board. The Committee will continue to monitor its composition to ensure it remains appropriate and reinforces our ability to provide independent oversight.

The members of the Committee and their attendance at meetings during the year are disclosed on pages 70 to 73, together with their biographical details.

Key responsibilities

- Set the Remuneration Policy
- Set measures for short and long-term incentives and measure performance, including the use of discretion
- Review Group-wide pay conditions, including equality and the gender pay gap

Taking care of our lowest-paid colleagues

c.4,000

received additional interim salary increases

c.5,000

received a one-off thank you payment to support the cost of living

Introduction from the Chair

I became Chair of the Remuneration Committee in May 2022 and I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2022.

The Company has chosen to adopt the Corporate Governance Code for Small and Mid-size Quoted Companies published by the Quoted Companies Alliance. However, the Board recognises the importance of transparency and high standards of corporate governance, so this report contains disclosures similar to those required by the UK Corporate Governance Code 2018.

We have continued to implement a simple Executive Director remuneration structure comprising base salary at a level median or below FTSE 250, pension in line with the workforce, lower quartile annual bonus, and upper quartile long-term share incentive plan. This structure provides a clear and direct link between pay and our strategic priorities, it takes into account the wider workforce remuneration and employment conditions and it is aligned with shareholders' experience.

During the year, a number of directorship changes took place. Sonia Sedler stepped down from the Board in March 2022 and Sonia's exit arrangements were set out in the 2021 Annual Report and Accounts. These are described again on page 97 but since they were the subject of engagement a year ago, and the subject of voting at the 2022 AGM, we hope they will not influence voting at the forthcoming AGM. In November 2022, Jon Hauck, our CFO, was promoted to COO Designate in addition to his CFO responsibilities, which he retains until a new CFO is appointed. This report explains how we addressed Jon's promotion, taking the opportunity to harmonise all Executive Director compensation arrangements.

Full details of directorship changes can be read on page 81.

Executive pay outcome for 2022

The Group delivered a strong performance in 2022 with good growth in revenue of 34.8% to €690.7m. Adjusted pre-tax profit increased 30.2% to €112.0 and adjusted cash conversion rate of 100.1%. We made five acquisitions during the year, further strengthening the breadth and depth of the Group's value-added services offered to our global video games clients. This strong performance was achieved in contrast to a more difficult period for the technology sector as a whole, which has cut back on employees and investment due to lower consumer spending and economic headwinds. During the year our new CEO, Bertrand Bodson, focused on shaping his leadership team, prioritising our integrated services offer, embracing greater use of technology and building relationships with customers.

In the context of the strong business performance the Committee awarded a high bonus pay-out which it believes fairly reflects achievements in the year. Bertrand Bodson did not receive any LTIP vesting as he joined the business in 2021 but Jon Hauck received an LTIP vesting for the three years to September 2022, based on relative total shareholder return ("TSR") performance, together with the vesting of an additional LTIP granted on his appointment to Keywords in 2019 to compensate for remuneration left behind at his previous employer. Accordingly the single figure remuneration earned by the CEO was £809,000 and the single figure remuneration earned by the CFO was £2,092,800.

Salary

Bertrand Bodson, our CEO, did not receive a base salary increase in the year as he joined in December 2021.

In October, when we announced that Jon Hauck would take on the COO role, the Committee took the opportunity to harmonise executive remuneration such that going forward our CEO, our COO and our new CFO (when appointed) will all have the same elements making up their compensation. We decided to restructure Jon's pay by removing the historical salary share element and increasing base salary to a more market-competitive level. Accordingly Jon's salary increased from £365,000 p.a. (being £305,000 salary plus £60,000 salary shares) to £390,000 p.a. with effect from 1 November 2022, and will remain at this level until the review in April 2024. Having proved himself in role over the last three years since appointment, Jon now has increased commercial responsibility as COO Designate and remains in charge of the demanding M&A programme. Therefore, commensurate with the increased scale and complexity of Keywords, the Remuneration Committee concluded this change was appropriate, fair and in the interests of all stakeholders.

Bonus

The bonus represents 30% of base salary and was measured against financial metrics (60%) and non-financial metrics (40%). Targets were set in line with our strategic priorities and, as described above, management performed strongly. Achievement against targets is described on page 96 and this led to a 98% payout (equating to 29% salary). The Committee determined that the outcome reflected performance in the year and therefore decided that no discretion would be applied.

LTIP

The LTIP represents 275% of salary for the Executive Directors and the performance period is three years. Bertrand joined in December 2021, and therefore no LTIP vesting has yet occurred for Bertrand. Jon Hauck received LTIPs vesting relating to the performance period September 2019-2022 which vested in full, measured against relative TSR against FTSE Small Cap, relating to a regular award and a one-off LTIP which was awarded to him in compensation for remuneration foregone when he left his previous employer. Total shares vesting to Jon Hauck under these awards in 2022 amounted to 68,936 shares; the Committee considers that Jon has performed well since appointment in 2019 and has been paid a low base salary, therefore these awards vesting are fair and acceptable and no discretion was applied.

Workforce remuneration

All employees received a regular salary increase on 1 April 2022, and around 4,000 employees on lower salaries received a further raise, taking their total increase up to 10% by way of salary following a mid-year review in October 2022. In addition, all lower-paid employees received a one-off thank you payment at the end of the year to support cost of living. This was calculated according to location and salary level and on average amounted to around $300. The overall effect was to increase the pay of lower-paid employees by a higher percentage than our management teams, who received an average 3.5% increase in the year. As a result we are seeing positive employee feedback and reduced attrition.

Directors' Remuneration report continued

Introduction from the Chair continued

Stakeholder considerations

The Committee has balanced the interests of shareholders and employees in reaching a determination that the remuneration outcomes described above are fair and reasonable and that no discretion needed to be exercised to adjust outturns or to address windfall gains. In coming to this conclusion, the Committee took into account the following factors:

- The financial performance of the Group had been strong. Financial performance in the year can be read on pages 58 to 61.
- The Group continued to pay dividends to shareholders in line with the dividend policy. Dividends are described further on page 131.
- 2019 LTIP awards were not made at a significantly lower level than those in 2018 and any gain received during the year is due to consistently strong share price performance, reflecting the robust growth of the business.
- The employee net promoter score (eNPS) remained at a good level. Employee engagement is described further on pages 43 and 44.
- Lower-paid employees received higher percentage increases in salary than management through an additional mid-year review, plus a one-off thank you payment to support cost of living.
- Employee feedback positivity has improved and attrition has fallen.

2023 remuneration

No decision has yet been taken in respect of Executive Director salary increases in 2023 but in line with our Policy executive salaries will only increase in line with the wider UK workforce as a maximum. In 2023, the maximum bonus opportunity will again remain at 30% of base salary, based on 60% financial objectives and 40% non-financial objectives. During the year, we reviewed whether it was appropriate to maintain relative TSR as a single metric for the LTIP and after taking advice and considering other metrics, including ESG targets, we decided not to make any change at this time. Therefore in 2023 LTIP awards will be granted at 275% base salary (measured against TSR vs FTSE 250 index (excluding investment trusts)).

Shareholder engagement

The former Chair of the Remuneration Committee and I engaged with our major shareholders in January and March to discuss 2021 remuneration and plans for 2022 and there was good support for our Policy and Implementation. Specific engagement relating to the AGM vote clarified that the 2022 AGM vote reflected dissatisfaction with the presentation of the leaving arrangements for our COO and we have noted this feedback (full details of payments made and treatment of share awards on departure are disclosed in the 2021 Annual Report). Further engagement with shareholders has since taken place and the Committee is confident that our current remuneration structure is in line with the interests of shareholders and consistent with good corporate governance practice in the UK.

The Committee will continue to keep its Remuneration Policy under continuous review to ensure it delivers a positive workforce pay philosophy.

I hope you find this Directors' Remuneration Report provides you with a clear, concise and comprehensive insight of remuneration matters at Keywords and I hope you will support the remuneration report resolution at the AGM.

Marion Sears

Chair of the Remuneration Committee

15 March 2023

Section 1: Directors' Remuneration Policy

Executive Directors' remuneration at a glance

The following is a summary of the key components of Executive Director remuneration, including changes and implementation in the forthcoming financial year.

Element	Remuneration in 2022	Remuneration in 2023
Base salary	**With effect from 1 January 2022** CEO: £600,000 CFO: £295,000 COO: £295,000 **With effect from 1 March 2022** CEO: £600,000 (no increase) CFO: £305,325 (3.5% increase) COO: £305,325 (3.5% increase until departure on 18 March 2022) **With effect from 1 November 2022** CEO: £600,000 CFO/COO Designate: £390,000	CEO: £600,000 CFO/COO Designate: £390,000 **With effect from 1 April 2023** CEO: Salary increase to be decided in late March 2023 CFO/COO Designate: Salary will not be reviewed until 1 April 2024 New CFO: to be appointed
Salary shares	Shares were granted with the following values: CEO: nil CFO: £60,000 COO: nil	No intention to grant salary shares to Executive Directors
Pension	5% of base salary for all Executive Directors, in line with UK workforce	No change
Annual bonus	Maximum opportunity of 30% of base salary based on: • Financial targets, including turnover and profitability (weighted 60%) • Individual performance vs Non-Financial Objectives (weighted 40%)	No change
LTIP	275% of base salary for Executive Directors, subject to the Company's TSR performance versus the FTSE 250 Index (excluding investment trusts) over a three-year performance period Shareholding requirements apply	No change

Policy and principles

The Remuneration Committee determines the Company's policy on the remuneration structure for the Executive Directors and Executive Committee members (ExCo) plus the Company Secretary and is responsible for oversight of the Remuneration Policy for the broader employee population.

The objectives of this policy are to:

- reward executives in a manner that ensures they are properly incentivised and motivated to perform in the best interests of shareholders;
- provide a level of remuneration required to attract, motivate and retain high-calibre individuals;
- encourage value creation, through consistent and transparent alignment of incentive arrangements with the agreed Company strategy over the long term; and
- ensure the total remuneration packages, comprising both performance-related and non-performance-related remuneration, are designed to motivate the individual, align interests with shareholders and comply with corporate governance best practice.

The Remuneration Committee believes the foregoing objectives are best achieved by a remuneration structure whereby:

- base salaries are targeted at up to median vs relevant comparator groups. In 2021 and early 2022, the award of salary shares was used to compensate for base salaries at the lower quartile of relevant comparator groups and to ensure a more competitive position is achieved in a structure aligned with shareholders. From November 2022 we moved to a more typical market-competitive base salary structure and there is no intention to use salary shares going forward;
- annual bonuses are set at a low level, with a maximum of 30% of base salary; and
- long-term incentives are set at upper quartile, being the means by which executives can earn significant rewards if, but only if, shareholders likewise have obtained a good return.

Directors' Remuneration report continued

Section 1: Directors' Remuneration Policy continued

Executive Director remuneration components

Various remuneration components are combined to ensure an appropriate and balanced remuneration package which reflects the size and complexity of the Group, the executive's experience, responsibility and position, as well as wider market conditions. 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 package comprises the following elements:

- Fixed remuneration (base salary, benefits and pension)
- Performance-based remuneration (annual bonus and share awards)

These elements are detailed in the table below, which refers to the structure used for the Executive Directors; the structure is cascaded down to the ExCo and leadership team with variation in quantum according to level.

During 2022, the Remuneration Committee reviewed the pay structure for the Executive Directors with a particular focus on how the package appropriately reflects the strategic priorities of the Group (focused on continued strong growth), and the appropriateness of the performance conditions applied to long-term incentives (including a review of ESG-related measures). The Committee concluded that the current structure continued to be appropriate and effectively linked the remuneration of Executive Directors with the long-term success of the Company and interests of shareholders.

Purpose and link to strategy	Operation	Opportunity	Performance measures
Base salary			
To attract and retain talented executives to deliver the Group's strategy, by ensuring base salaries and the implied total package are competitive in relevant talent markets, while not overpaying.	Base salaries are reviewed by the Committee annually and benchmarked periodically against comparable roles at comparable companies of similar size and complexity. Paid in cash.	Salaries are set on a case-by-case basis to reflect the role, the experience and qualifications of the individual. Base salary increases for the executives take into account personal performance, Group performance, significant changes in responsibilities, the average increase awarded to the wider workforce, and competitive market practice. In the normal course, the expectation is that base salary will increase annually in line with, or below, any increase paid to the wider workforce.	n/a
Pension and benefits			
To provide an appropriate structure and level of post-retirement benefit for executives in a cost-efficient manner that reflects local market norms in the relevant jurisdiction.	At the discretion of the Remuneration Committee, an executive may participate in a pension scheme facilitated by the Company. The Company also provides access to Group benefit schemes where appropriate by region which may include moderate contribution towards private health insurance, death in service cover and other Group-based benefits.	The Company provides access to pension schemes based on local legal requirements or where expected by local labour markets. Contributions meet the minimum requirements or are of a modest level. Basic additional benefits may also be provided where available and where considered the norm for managerial positions in similar businesses. An amount is paid equivalent to a percentage of base salary not exceeding the average paid in respect of the local workforce (currently 5% in UK).	n/a
Annual bonus			
To provide a modest award where individual and Company performance have been at or above expected levels.	Executives are eligible to participate in an annual bonus scheme. The Remuneration Committee reviews the range and weightings of financial and non-financial performance measures each year.	Up to a maximum of 30% of base salary. Paid in cash.	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 targets for the year. Performance targets are 60% weighted on the Company's financial performance and 40% weighted on performance against strategic and personal targets. The Remuneration Committee has discretion over outcomes; for example, if the Company's financial performance is considered to be unsatisfactory, the element based on personal performance is likely to be foregone or reduced.

Purpose and link to strategy	Operation	Opportunity	Performance measures
LTIP			
To incentivise delivery against total shareholder return targets and align the interests of executives and shareholders in growing the value of the Group over the long term.	LTIP grants are made annually in the form of conditional awards of shares or nil-cost share options which vest subject to performance conditions measured over three years. Once vested, awards may be exercised up to 10 years from grant. Malus and clawback provisions apply.	Maximum opportunity 275% of base salary. Dividends are accrued over the vesting period.	Vesting of LTIP awards is subject to continued employment during the performance period and the achievement of performance conditions based on TSR. The Committee has the discretion to adjust the outcome in exceptional circumstances to ensure it is a fair reflection of underlying performance. Further details, including the performance targets attached to the LTIP in respect of each year will be disclosed in the relevant implementation report on remuneration (subject to these being considered not to be commercially sensitive). For Executive Directors, a proportion (currently 25%) of LTIP shares vesting after tax and NI must be held to build towards the required shareholding.

Executive Director shareholding guidelines

Executive Directors are encouraged to build and maintain over time a shareholding in the Company. To align the interests of Executive Directors with those of shareholders, and to promote long-term thinking, the Remuneration Committee imposes shareholding requirements which apply to all LTIP awards made to Executive Directors. The Committee has adopted shareholding requirements which apply both during employment and for a period following employment, although the Remuneration Committee retains the right to waive this requirement in exceptional circumstances such as death, ill health or severe financial hardship.

At the time of Jon Hauck's promotion to COO Designate the Committee decided to harmonise Executive Director shareholding guidelines which had been higher for the CEO (250%) and lower for other Directors (100% in 2021 and 200% in 2022). In conjunction with Jon Hauck's salary increase in November 2022, the Committee decided that all Executive Directors are required to build a shareholding equivalent to 250% of base salary. This may be built over time, but with a requirement to hold 25% of any LTIP shares vesting (after tax and NI) until the required shareholding level is achieved. On departure, an Executive Director must continue to hold the required shareholding (or their actual shareholding if lower) for 12 months.

Details of the Executive Directors' current shareholdings are provided on page 100.

Recovery provisions (malus and clawback)

Recovery provisions may be applied to the annual bonus and LTIP awards in cases of fraud, dishonesty or deceit, gross misconduct or material financial misstatement in the audited financial results of the Group. The Remuneration Committee may determine that an award is cancelled in its entirety or be reduced to the extent they see fit.

Malus provisions apply which enable the Committee to determine before the payment of an annual bonus or the vesting of an LTIP award, that the bonus opportunity or LTIP award may be cancelled or reduced. Clawback provisions apply which enable the Committee to determine for up to two years following the payment of a cash bonus or the vesting of an LTIP award, that the amount of the bonus paid may be recovered and the LTIP or share award may be cancelled or reduced (if it has not been exercised) or recovery may be applied to it (if it has been exercised).

Use of discretion

The Remuneration Committee may apply its discretion when agreeing any remuneration outcomes, to help ensure that the implementation of our Remuneration Policy is consistent with underlying Company performance and is equitable to all parties.

Process for determining the Remuneration Policy

The Committee periodically reviews the Remuneration Policy to ensure it reflects, if appropriate, trends in remuneration design and governance developments, taking into account market practices, best practices, and revisions to the pay guidelines published by major investors and their representative bodies. In approving any changes to the policy, the Committee considers the impact on individual Executive Directors and as well as the consistency of pay structures and levels throughout the organisation. The Committee uses specific pay benchmarking studies, when relevant, to ensure Keywords' remuneration levels are positioned at the appropriate level. If major changes are considered for Executive Director remuneration, the Committee will undertake a consultation of major shareholders and relevant proxy agencies to ensure their feedback is taken into account before implementation.

Directors' Remuneration report continued

Section 1: Directors' Remuneration Policy continued

Executive Director service contracts

In accordance with general market practice, each of the Executive Directors has a rolling service contract. The following table shows the date of the service contract for each Executive Director in post during 2022:

Executive Director	Position	Date of appointment	Date of service agreement	Notice period
Bertrand Bodson	CEO	1 Dec 2021	19 Sep 2021	6 months
Jon Hauck	CFO	14 Oct 2019	30 Sep 2019	6 months

Remuneration for the wider workforce

In addition to determining the pay of the Executive Directors and ExCo members plus the Company Secretary, the Committee is responsible for overseeing the pay conditions of the wider workforce. The Committee seeks to understand the interests of the workforce by receiving reports from management on the global employee survey and town hall events, and benchmarking surveys provide a view of pay conditions in the context of the broader environment. In 2022, the workforce supported enhanced pay-for-performance measures and expressed concerns over the rising cost of living and other inflation-related pressures.

Keywords currently employs over 12,000 people in 26 countries on a variety of permanent and flexible contract types, and salary levels range across our service lines from minimum wage equivalent to highly paid technical experts. The complexity of this matrix means that remuneration is necessarily structured by country and service line however, consistent principles are applied in doing so, and the Committee provides support, advice and guidance to management in determining the appropriate structure across the Group.

Annual salary reviews normally take place to account for high performance, local pay and market conditions. In light of the high rates of inflation seen in many of our operating territories, the Committee supported management in conducting a review of the lowest-paid employee groups during the year and in applying salary increases where considered appropriate to help employees avoid any potential hardship. In addition, in light of the high rates of inflation seen in many of our operating territories, a one-off payment was made to the lowest-paid employees to support cost of living.

Many permanent employees are eligible to participate in the annual bonus scheme. Performance metrics for the bonus are set to reflect an individual's specific objectives and are designed to reward over-performance and collaboration.

The remuneration principles applied for senior managers and senior roles are consistent with those applied to executive remuneration – to promote growth, achieve strategic objectives and contribute to the long-term success of the Group.

As such, objectives and performance conditions set for the bonus and share awards of Executive Directors are cascaded through the organisation to align the whole workforce strategically. In total, over 1,200 employees received share awards in 2022. Two types of share award are used: LTIPs and RSUs. LTIPs vest after a three-year performance period and are subject to continued employment and the same performance measures applied to executive awards. These are principally used for senior managers who have a role in executing Group strategic objectives and ensures alignment across the entire senior leadership team. RSUs are not subject to a performance measure but are subject to continued employment over two years. These are principally used as a retention mechanism for key roles across the Group.

In 2022, our all-employee savings scheme, the Employee Share Purchase Plan (ESPP) was amended to increase the discount at which employees can purchase shares. Under the Plan, our employees can save up to £416 per month and at the end of a defined savings period purchase Keywords shares at a 15% discount. The ESPP is a benefit provided on equal terms to all employees in eligible countries and offers a savings opportunity and promotes share ownership by our employees. In 2022, over 550 employees participated in the ESPP.

The Board does not accept a pay differential between men and women in the same role. At 31 December 2022, there were over 12,000 employees globally, of which 26% were women (by voluntarily disclosure), and the Committee noted that gender balance varied by geography and service line. In 2022, there was continued focus on the recruitment of women and our continued sponsorship of Women in Games demonstrates our commitment to improving the gender balance in the industry as a whole. The Group complies with equal pay directives across all its locations, conducting periodic assessments and analysis, and the Board is satisfied that there is equal gender pay given location and roles. Gender, diversity, inclusion, equity and behaviour are an important focus for our ESG Committee and the Remuneration Committee has included targets relating to this topic in the bonus non-financial objectives for 2023.

The CEO pay ratio presented on page 99 relates to our UK workforce of 783 employees as this is considered the most appropriate comparator group for the purpose of the ratio.

External appointments held by Executive Directors

The Board believes that external appointments can be useful in providing wider commercial context and providing a personal development opportunity for an Executive Director however, any external time commitments must be carefully considered. Executives may not accept any external appointment without the consent of the Board. Any associated fees are retained by executives.

Upon appointment in 2021, Bertrand Bodson held two non-executive positions which he was given permission to retain. Since the year end, Bertrand has informed us that he will step down from his board role at Wolters Kluwer N.V. in May 2023 and therefore going forward he will only have one external appointment. Jon Hauck has no external appointments.

Consideration of shareholder views

AGM voting and other shareholder feedback is important in shaping the Company's implementation of its Remuneration Policy as well as any changes to the Policy. The Committee engaged with shareholders and representative agencies before and after the 2022 AGM to explain changes to remuneration structure and measures, events during the year and priorities for the coming year. The Committee has continued to engage with shareholders in 2023.

Leaver treatment

Fair treatment will be extended to departing executives. The Group's policy on termination payments is to consider the circumstances on a case-by-case basis, taking into account the relevant contractual terms in the executive's service contract and the circumstances of termination.

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 LTIP shares, including salary shares.

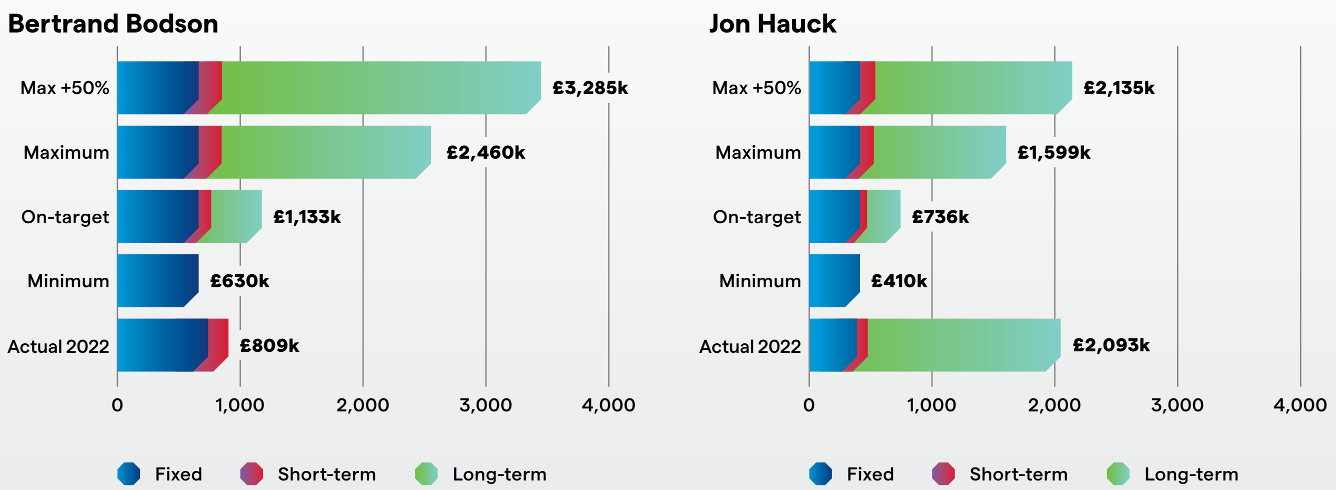
Good leavers (normally including such circumstances as retirement, death, disability and redundancy) are permitted to exercise unvested LTIP awards, reduced pro rata to reflect the remaining vesting period (unless such reduction is waived by the Remuneration Committee) and to the extent that the performance criteria are met over the full performance period. At its discretion, the Remuneration Committee may allow the acceleration of vesting to the termination date, for which the achievement of the performance condition would be at the discretion of the Committee.

On a change of control, all unvested LTIP awards and salary shares may be exercised in full at the time of the event subject to discretion by the Remuneration Committee. It is intended that the Committee would only apply discretion to reduce vesting if the change of control took place due to poor underlying performance. A rollover of unvested awards into new awards may also be offered.

Pay for performance scenario analysis

The charts below provide an estimate of the potential future reward opportunities for the CEO and CFO/COO-designate and the potential split between the different elements of remuneration under four different performance scenarios: "Minimum", "On-target", "Maximum" and "Maximum +50% (share price appreciation)". These charts illustrate how performance-orientated and long term the Company's remuneration arrangements are, with the majority of the remuneration opportunity being delivered only under the "Maximum" scenarios. We have also included a bar showing the value of the actual package paid for 2022. A graph is not provided for Sonia Sedler as she left the Company on 18 March 2022 and her single figure remuneration for 2022 is provided on page 94.

Potential reward opportunities are based on the Remuneration Policy, applied to 2023 base salaries and incentive opportunities. Note that the LTIP awards granted in a year will not normally vest until the third anniversary of the date of grant, and the projected value excludes the impact of share price movement except in the "Maximum +50%" scenario.



Assumptions:

Actual 2022: Fixed remuneration (2022 base salary, salary shares, benefits and pension), bonus paid for 2022 and LTIP vesting in 2022.

Minimum: Fixed remuneration only (2022 base salary and pension).

On-target: Fixed remuneration as above, plus target bonus (50% of maximum) and threshold LTIP vesting (25% of maximum).

Maximum: Fixed remuneration, plus maximum bonus (30% of base salary) and full vesting of LTIP awards.

Maximum+50%: As per Maximum scenario but with an assumption of share price growth of 50% over the three-year performance period for LTIP awards.

Chairman and Non-Executive Director fee policy

The Chairman and Non-Executive Directors receive fees for preparation for an attendance at Board and Committee meetings. The Company does not operate any pension scheme for Non-Executive Directors nor do they participate in any variable pay plan. Any reasonable business expenses (including tax thereon) may be reimbursed.

Directors' Remuneration report continued

Section 2: Implementation of the Remuneration Policy in 2022

The Remuneration Committee

The members of the Remuneration Committee in 2022 were Marion Sears (who succeeded as Committee Chair in May 2022), Neil Thompson, Charlotta Ginman and Ross Graham. David Reeves (former Committee Chair) stepped down from the Board on 20 May 2022 and Neil Thompson joined the Committee at that time.

The members are all independent Non-Executive Directors. In the year ended 31 December 2022, the Remuneration Committee met on six scheduled occasions. Members attended all Committee meetings for which they were eligible to attend throughout the year. Full attendance details are provided on page 73. At the request of the Committee Chair, the CEO, CFO, COO, Chief People and Culture Officer and remuneration advisor may also attend meetings.

The Chairman and the Chair of the Remuneration Committee met with shareholders, key investors and relevant proxy agencies in 2022 to obtain input and feedback on executive and wider workforce remuneration.

The remit of the Committee is to determine and agree with the Board the framework for the remuneration of the Chairman, Executive Directors, the General Counsel and Company Secretary, and also oversee the share awards and Remuneration Policy for the wider workforce. No Director is involved in any discussion or decision about his or her own remuneration.

The Committee engaged Deloitte LLP to provide independent advice to the Committee from 1 November 2022. Ellason LLP also provided advice to the Committee until 31 October 2022. Neither advisor has any other association with the Company and both are considered independent, are members of the Remuneration Consultants Group and, as such, voluntarily operate under the Code of Conduct in relation to executive remuneration consulting in the UK.

Directors' emoluments

The remuneration for the Directors of the Company for the year ended 31 December 2022 is detailed in the table below:

	2022 Fixed pay £'000					2022 Variable pay £'000			2022 Total remuneration
Director	**Cash salary/fee**	**Salary Shares**	**Benefits**	**Pension**	**Total**	**Bonus**	**LTIP**	**Total**	**£'000**
Bertrand Bodson	600.0	–	5.0	30.0	635.0	174.0	–	174.0	809.0
Jon Hauck	317.7	60.0	2.0	15.9	395.6	113.1	1,584.1	1,697.2	2,092.8
Sonia Sedler [1]	514.2	–	1.0	–	515.2	–	–	–	515.2
Ross Graham	95.7	–	–	–	95.7	–	–	–	95.7
David Reeves[2]	29.6	–	–	–	29.6	–	–	–	29.6
Giorgio Guastalla[3]	4.3	–	–	–	4.3	–	–	–	4.3
Georges Fornay	66.4	–	–	–	66.4	–	–	–	66.4
Charlotta Ginman	69.4	–	–	–	69.4	–	–	–	69.4
Marion Sears	65.6	–	–	–	65.6	–	–	–	65.6
Neil Thompson	59.7	–	–	–	59.7	–	–	–	59.7
TOTAL	**1,822.6**	**60.0**	**8.0**	**45.9**	**1,936.5**	**287.1**	**1,584.1**	**1,871.2**	**3,807.7**

1. Sonia Sedler left the Company on 18 March 2022 and her cash salary figure includes payments made on leaving.
2. David Reeves stepped down as a Director on 20 May 2022.
3. Giorgio Guastalla stepped down as a Director on 26 January 2022.

The remuneration for the Directors of the Company for the period year ended 31 December 2021 is detailed in the table below:

	2021 Fixed pay £'000					2021 Variable pay £'000			2021 Total remuneration
Director	Cash salary/fee	Salary Shares	Benefits	Pension	Total	Bonus	LTIP	Total	£'000
Bertrand Bodson[1]	50	–	–	2.5	52.5	15.0	–	15.0	67.5
Jon Hauck[2]	279.8	77.5	–	14.3	371.6	84.0	–	84.0	455.6
Sonia Sedler[2,3]	319.3	47.5	–	15.9	382.7	95.8	–	95.8	478.5
Andrew Day[7]	61.2	–	–	4.9	66.1	–	1,226.0	1,226.0	1,292.1
Ross Graham[5]	132.5	–	–		132.5	–	–	–	132.5
David Reeves[5]	94.3	–	–		94.3	–	–	–	94.3
Giorgio Guastalla	51.8	–	–		51.8	–	–	–	51.8
Georges Fornay	62.3	–	–		62.3	–	–	–	62.3
Charlotta Ginman[5]	89.3	–	–		89.3	–	–	–	89.3
Marion Sears[6]	22.8	–	–		22.8	–	–	–	22.8
Neil Thompson[6]	21.3	–	–		21.3	–	–	–	21.3
TOTAL	**1,184.6**	**125.0**	**–**	**37.6**	**1,347.2**	**194.8**	**1,226.0**	**1,420.8**	**2,768.0**

1. Bertrand Bodson was appointed on 1 December 2021. His one-off award of restricted stock granted on appointment is not included as this award is compensation for awards forfeited at a previous employer.
2. Cash salary includes one-off £37,500 as co-CEO allowance; Salary Shares include one-off £37,500 as co-CEO allowance.
3. Sonia Sedler was appointed on 18 January 2021 and left the Company since the year end on 18 March 2022.
4. Andrew Day retired on 14 June 2021; his salary shares granted in FY21 do not appear in the table as these lapsed on his retirement.
5. Ross Graham, Charlotta Ginman and David Reeves all received an additional fixed fee to reflect the additional work undertaken in relation to the change of CEO and other new director appointments during the year. Ross Graham received £40,000 and Charlotta Ginman and David Reeves each received £25,000.
6. Marion Sears and Neil Thompson were appointed as Non-Executive Directors on 13 August 2021.
7. 50,000 LTIP shares, granted to Andrew Day in 2018, fully vested on 18 May 2021 due to Keywords' three-year TSR exceeding the full vesting level. The value shown in the table is based on the vest-date share price of £24.52, and 30% of which is based on the gain in the share price over the period (from a grant price of £17.22).

Salaries in 2022

The following cash salaries were applied in 2022:

- Bertrand Bodson: £600,000
- Jon Hauck: cash salary of £295,000 plus salary shares of £60,000 for the period to 1 March 2022, and £305,325 to 1 November 2022, increased to a cash salary of £390,000 thereafter
- Sonia Sedler: £295,000 prorated for the period up to her departure on 21 March 2022

In May and September 2021, Jon Hauck was awarded salary shares to supplement base salary, which were subject to phased vesting with one third of the award vesting on the anniversary of the date of grant each year, subject to continued employment. Accordingly, 543 salary shares vested automatically in May 2022 and 410 salary shares vested automatically in September 2022. In total, 4,468 salary shares remain outstanding, with vesting dates between 2023 and 2025.

Pension

During 2022, the Executive Directors were paid pension contributions of 5% of salary, in line with the rest of the UK workforce.

Annual bonus outcome for 2022

During 2022, the Executive Directors participated in the annual bonus scheme, and were eligible to earn awards of up to 30% of base salary, subject to the attainment of specific targets. The portion of bonus earned in the year was dependent on Company performance (weighted 60%) against financial targets for the year in line with our financial KPIs (see pages 32 and 33) and on the Remuneration Committee's discretionary assessment against non-financial strategic targets (weighted 40%).

The financial targets were based on revenue (weighted 20% of bonus), adjusted profit before tax (20%) and cash conversion (20%).

The discretionary element considers the Director's performance for the year against non-financial targets, under various categories. The non-financial objectives related to the strategic priorities for the business in 2022, including strategic partnerships, M&A, technology and cybersecurity and One Keywords (culture and talent). Performance against all the targets set for the year was assessed by the Committee, and the Committee determined that each Director had achieved 98% of the bonus, equating to 29% of salary.

Directors' Remuneration report continued

Section 2: Implementation of the Remuneration Policy in 2022 continued

The table below shows each element of the executive bonus for 2022, the achievement for each element, and the total achievement and value.

2022 Executive Bonus outcomes

Bonus element	Target	Achievement	% Outcome
60% Financial			
20%	Revenue	34.8% growth, exceeded budget	20%
20%	Adjusted profit before tax	30.3% growth, exceeded budget	20%
20%	Cash conversion	Exceeded stretched target	20%
40% Non-Financial			
10%	Strategic partnerships	Increased customer NPS, strategic partnership reviews in place, new business growth	10%
10%	M&A	Five acquisitions added sales, profits, and technology, improved service offer	10%
10%	Technology and cybersecurity	Key recruitment, success with automation	9%
10%	One Keywords (talent and culture)	eNPS high for Create & Engage, lower attrition rate, focus on fair pay	9%
Total (out of 100%)			**98%**

Director	Formulaic outcome, % of base salary	Bonus for 2022 £'000
Bertrand Bodson	29%	174.0
Jon Hauck	29%	113.1

Long-term incentives vesting in 2022

Jon Hauck joined Keywords in October 2019. At that time, he received 25,000 LTIP shares as part of regular awards to Executive Directors, and an additional 43,936 LTIP shares as a one-off grant in compensation for awards forfeited on joining Keywords. The full vesting of the LTIP awards required Keywords TSR to outperform the Numis Smaller Companies (excluding Investment Trusts) Index by 20% over the three year performance period. The Company's TSR performance over this period outperformed that of the Index by 34.4% resulting in full vesting of both awards in September 2022 and amounted to 68,936 shares in total. No discretion was applied.

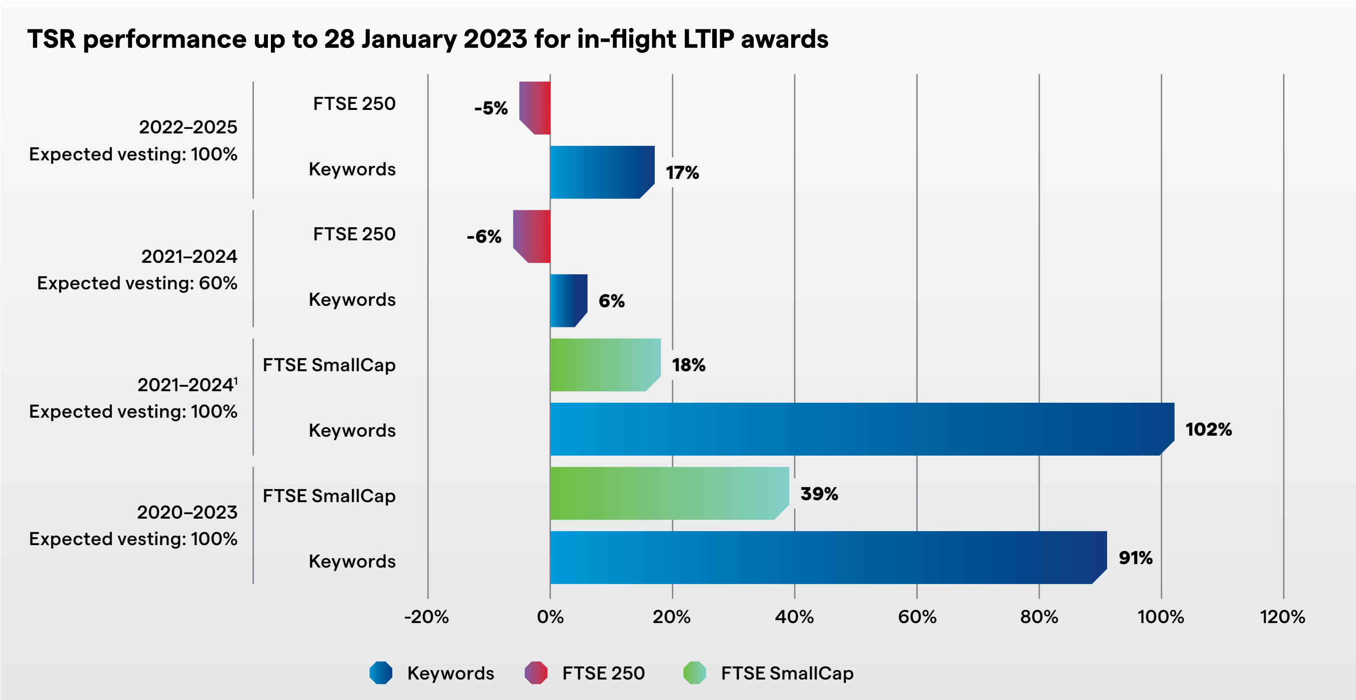
Long-term incentives outstanding and granted during 2022

LTIP awards granted to the Executive Directors in May 2020 and May 2021 remained outstanding during 2022. Vesting of the 2020 awards requires Keywords TSR to outperform the FTSE Small Cap Index over a three-year period. Threshold vesting (10% of the award) will be earned for TSR in line with the Index and full vesting will be earned for exceeding the Index TSR by 20% over the performance period. Vesting of the 2021 award requires Keywords TSR to outperform the FTSE 250 Index (excluding investment trusts) over a three-year period. Threshold vesting (25% of the award) will be earned for TSR in line with the Index and full vesting will be earned for exceeding the Index TSR by 20% over the performance period.

Bertrand Bodson was granted his LTIP award on his appointment on 1 December 2021, and was also awarded a one-off grant of restricted shares with a face value of 100% of salary in compensation for awards forfeited on joining Keywords. These conditional LTIP shares will vest based on performance over the period to May 2024, in line with other LTIP awards granted in 2021, and the restricted shares will vest in December 2024 subject to continued employment.

In 2022, the Executive Directors were awarded LTIP shares, the vesting of which is based on the Company's TSR performance versus the FTSE 250 Index (excluding investment trusts) over a three-year performance period. Given Keywords' growth during the period the Committee deemed it appropriate to use the FTSE 250 as the Index against which TSR should be measured. Threshold vesting (25% of the award) will be earned for TSR in line with the Index and full vesting will be earned for exceeding the Index TSR by 20% over the performance period. The number of performance-based LTIP shares granted to the Executive Directors in 2022 is summarised in the table below.

Director	Number of shares granted at nominal value of £0.01	Value as % of salary	Performance period	Vest date
Bertrand Bodson	70,392	275%	5 May 2022 – 4 May 2025	5 May 2025
Jon Hauck	35,586	275%	5 May 2022 – 4 May 2025	5 May 2025



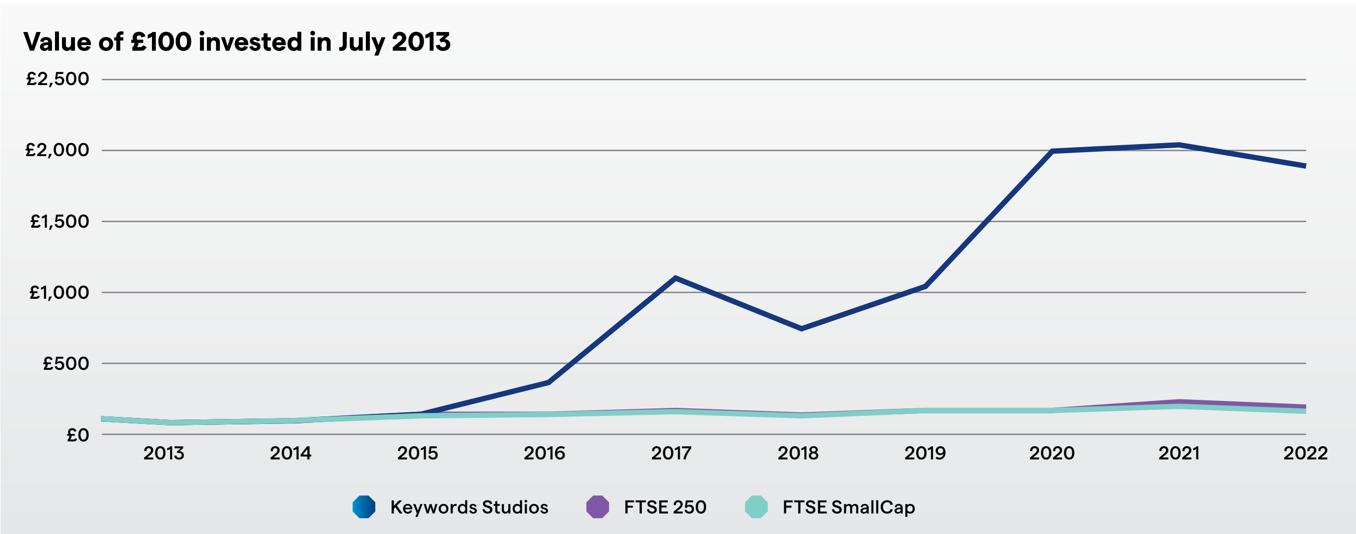
1. This relates to a 2021 grant to Sonia Sedler on joining the Company.

Sonia Sedler leaving arrangements

Sonia left the company on 18 March 2022 due to personal reasons and was treated as a good leaver. Sonia received base pay and benefits up to 18 March and received her bonus in respect of 2021. Upon departure Sonia received a payment of £183,536 plus payment in lieu of notice of £147,500. Sonia retains the 25,000 LTIP award made in respect of compensation foregone at her joining and this award will vest subject to performance conditions at the normal vesting date. The May award of 35,000 LTIP shares was prorated according to time served under our new good leaver provisions and Sonia retains 10,144 LTIP shares which will also vest subject to performance conditions at the normal vesting date in 2024. All salary shares lapsed. We note that the 2022 AGM vote reflected dissatisfaction with the presentation of Sonia's leaving arrangements and we have noted this feedback. Further engagement with shareholders has since taken place and the Committee is confident that our current remuneration structure is in line with the interests of shareholders and consistent with good corporate governance practice in the UK.

TSR performance

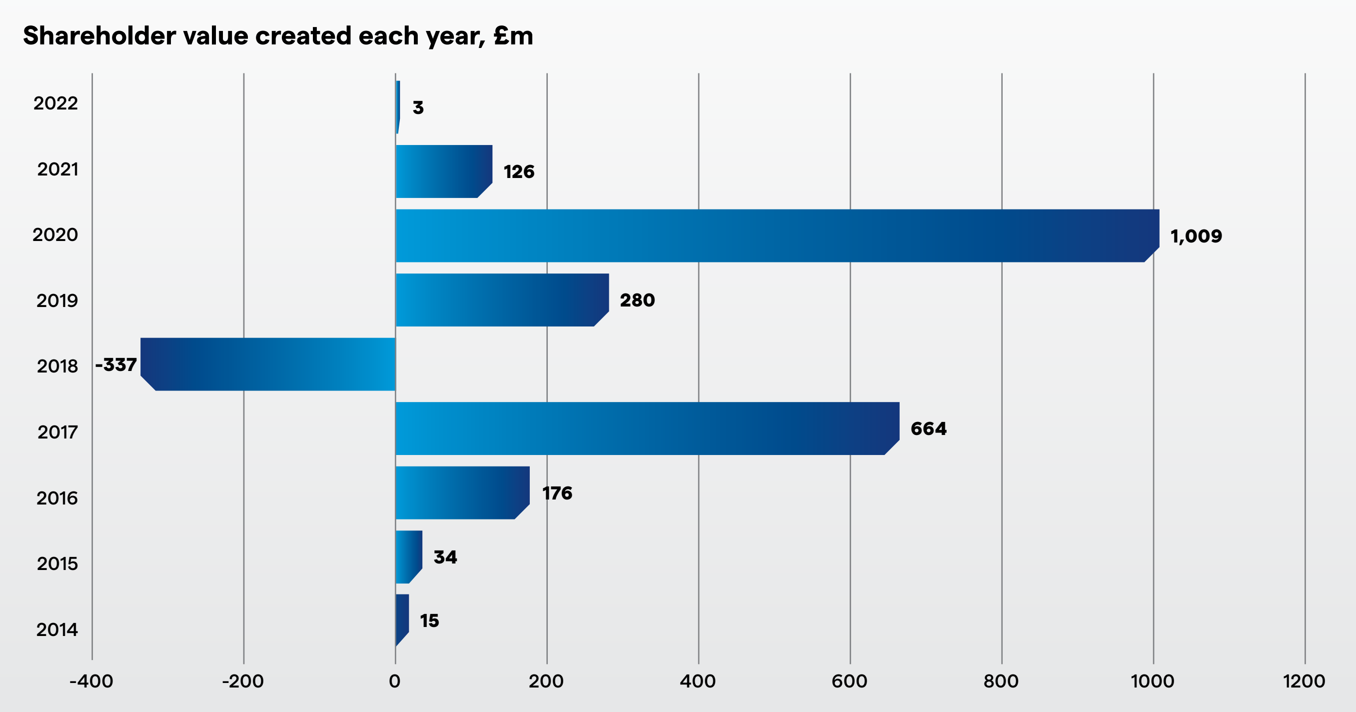
The chart below shows the Company's TSR since listing versus relevant indices.



Directors' Remuneration report continued

Section 2: Implementation of the Remuneration Policy in 2022 continued

The chart below shows shareholder value created each year, based on the change in share price plus dividends paid over each financial year multiplied by the number of shares outstanding at the start of each year.



The table below illustrates the CEO's single figure of total remuneration over the same period as the charts above.

Director	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Single figure (£'000)[1]	146	213	449	397	820	1,198	1,012	1,532	809
Annual bonus outcome (% of max)[2]	100%	100%	100%	100%	30%	0%	0%	100%	98%
LTIP vesting (% of max)[3]	N/A	N/A	100%	N/A	100%	100%	100%	100%	100%
SOP vesting (% of max)	N/A	100%	100%	100%	N/A	N/A	N/A	N/A	N/A

1. The numbers in the table for FY14-FY20 are for Andrew Day; FY21 is based on a combination of Andrew Day, Bertrand Bodson, Jon Hauck and Sonia Sedler; FY22 figures relate to Bertrand Bodson.
2. 100% bonus outcome reflects the bonus outcome for those individuals performing the role of CEO in FY21 (Andrew Day, who retired in FY21, was not paid a bonus).
3. Of those who performed the CEO role during FY21, only Andrew Day benefited from an LTIP vesting in FY21.

Chief Executive Officer pay ratio

The table below provides disclosure of the ratio between the CEO's total remuneration and that of the lower quartile, median and upper quartile of our 783 (2021: 679) UK-based employees. The CEO pay data in 2021 includes all income paid to Andrew Day up to his retirement, the co-CEO cash salary and Salary Shares paid to the CFO and COO and any bonus earned for the cash element of this, and all income paid to Bertrand Bodson from 1 December excluding his one-off award of restricted shares paid as compensation for forfeited awards at a previous employer.

Year	Methodology used	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2022	Option A	27:1	18:1	15:1
2021	Option A	51:1	38:1	27:1
2020	Option A	33:1	25:1	18:1

Year		P25 (lower quartile)	P50 (median)	P75 (upper quartile)	CEO
2022	Base Salary (£'000)	20	33	39	600
	Total remuneration (£'000)	22	33	49	809
2021	Base Salary (£'000)	27	35	50	261
	Total remuneration (£'000)	30	40	57	1,532

The lower, median and upper quartile employees were determined using calculation methodology Option A which involved calculating the actual full-time equivalent remuneration for all UK employees for the year ended 31 December 2022. From this analysis, three employees were then identified as representing the 25th, 50th and 75th percentile of the UK employee population. Keywords chose this method as it is the preferred approach of the Government and that of shareholders, and the Company had the systems in place to undertake this method. As the drafting of this report was earlier than the final determination of bonuses for the wider population, the bonus outcomes have been based on the financial forecasts in December 2022.

The CEO pay ratio decreased from 38 in 2021 to 18 in 2022, primarily as a result of the significant vest-date value of the LTIP award vesting in 2021 to Andrew Day (£1.2m) due to the strength of the share price growth over the vesting period of the LTIP awards granted in May 2018, and Bertrand Bodson, having joined in December 2021, not receiving the benefit of share awards vesting during 2022.

The CEO pay ratio is based on comparing the CEO's pay to that of Keywords' UK-based workforce, a large proportion of whom are engineers, artists and support staff. The Committee expects that the ratios will be largely driven by the CEO's incentive pay outcomes, which will likely lead to greater variability in his pay than that observed at lower levels who, consistent with market practices, have a greater proportion of their pay linked to fixed components. The Committee considers these ratios when making decisions around the Executive Director pay packages, and Keywords takes seriously the need to ensure competitive pay packages across the organisation. The Company believes the median pay ratio for the relevant financial year is consistent with the pay, reward and progression policies for the Company's UK employees taken as a whole.

Implementation of the Remuneration Policy in 2023

Base salary

All employees are eligible for a base salary review effective 1 April each year. At this stage no decision has been taken with regard to a salary increase for Bertrand Bodson. Any increase will be in line with or below that of the UK workforce. The CFO/COO Designate will receive a salary of £390,000 as awarded with effect from 1 November 2022, and the salary for this role will not be reviewed until 1 April 2024.

Salary shares

No grants of salary shares will be made to Executive Directors in 2023.

Pension

The Executive Directors' pensions will remain at 5% of base salary, in line with the UK workforce.

Annual bonus

The CEO and CFO will be eligible to earn an annual bonus of up to 30% of base salary in line with previous years. The outcome will be determined with reference to targets set at the start of 2023 around financial performance (weighted 60%) and non-financial performance (weighted 40%). These follow the same structure as the targets for 2022, reflecting our strategic priorities, and will be disclosed next year.

LTIP

The Committee intends to grant LTIP awards of 275% of base salary to the CEO and CFO/COO Designate, with vesting based on the Company's three-year TSR performance relative to the FTSE 250 Index (excluding Investment Trusts), with threshold vesting (25% of the award) for TSR in line with the Index and full vesting for exceeding the Index TSR by 20% over the performance period.

For simplicity, it is planned to align the LTIP performance period to the fiscal year and therefore the LTIP awards in May 2023, will be measured over the three calendar years 2023-2025. Vesting will not take place until three years have elapsed following award and shares vesting will be subject to Executive Director shareholding requirements.

Directors' Remuneration report continued

Section 2: Implementation of the Remuneration Policy in 2022 continued

Chairman and Non-Executive Directors' remuneration

Non-Executive Director fees are based on the roles and responsibilities of the Directors (see table below) and are reviewed annually. The next review of Non-Executive Director fees will take place in late March 2023 and will take into account the scale of the business and the time requirement of the Non-Executive Directors.

On 19 January 2023, the Company announced the appointment of Don Robert as a Non-Executive Director and Chair Designate and proposed, subject to his election by shareholders at the 2023 AGM and the passing of a resolution to amend the Articles of Association of the Company at that time, to increase the Board Chair annual fee to £400,000. This increase, compared with the fee paid to our previous Chairman, reflects benchmarking we have conducted as well as expected tenure, our growth ambition, our strategic complexity and our international positioning.

Role	Fee
Board Chairman (up to 26 May 2023)	£96,255
Board Chairman (from 26 May 2023)	£400,000
Non-Executive Director	£51,232.50

Role	Fee
Additional fees:	
Member of Audit, Remuneration or ESG Committee	£3,105
Chair of Audit, Remuneration or ESG Committee	£12,420
Senior Independent Director	£5,175

Directors' interest in shares

The interests of each person who was a Director of the Company (together with interests held by his or her connected persons) at the end of each financial year (or the time the Director departed the Board, if relevant) is set out below. In line with our Executive Director shareholding guidelines (detailed on page 91), Jon Hauck, following share award vestings during the year and changes to his salary and applicable shareholding requirements, has achieved a shareholding of approximately 1x salary as at 31 December 2022. Having joined in December 2021, Bertrand Bodson will be required to build his shareholding from awards vesting from December 2024.

Director	FY22	FY21
Giorgio Guastalla[1]	n/a	500,736
Ross Graham	64,376	59,819
David Reeves[3]	n/a	33,464
Jon Hauck	12,937	nil
Sonia Sedler[2]	n/a	nil

Director	FY22	FY21
Bertrand Bodson	nil	nil
Georges Fornay	6,521	6,521
Charlotta Ginman	1,733	1,733
Marion Sears	2,000	1,000
Neil Thompson	3,387	2,496
	90,954	**3,902,342**

1 Giorgio Guastalla stepped down as a Director on 26 January 2022. His indirect shareholding related to his 90% holding in P.E.Q. Holdings Limited.

2 Sonia Sedler left the Company on 18 March 2022.

3 David Reeves stepped down as a Director on 20 May 2022.

The outstanding LTIP awards held by each Executive Director of the Company are as follows.

LTIP

Director	Number at 31 December 2021	Number granted during the year	Number vesting during the year	Number lapsed/ forfeited during the year	Number exercised during the year	Number at 31 December 2022	First vesting date	Current vesting expectation[1]
Bertrand Bodson	61,156	–	–	–	–	61,156	5 May 2024	60%
	–	70,392	–	–	–	70,392	5 May 2025	100%
Jon Hauck	25,000	–	25,000	–	–	25,000	30 Sep 2022	–
	43,936	–	43,936	–	43,936	–	30 Sep 2022	–
	25,000	–	–	–	–	25,000	1 May 2023	100%
	25,000	–	–	–	–	25,000	5 May 2024	60%
	–	35,586	–	–	–	35,586	5 May 2025	100%
Total	**180,092**	**105,978**	**68,936**	**–**	**43,936**	**242,134**		

1. Vesting expectation (% of award) is based on the achievement of the TSR performance condition up to 28 February 2023.

Salary shares and restricted shares

Director	Number at 31 December 2021	Number granted during the year	Number vesting during the year	Number lapsed/ forfeited during the year	Number exercised during the year	Number at 31 December 2022	First vesting date for one-third tranche[1]	Current vesting expectation
Jon Hauck[2]	1,630	–	543	–	543	1,087	5 May 2022	100%
	1,231	–	410	–	410	821	16 Sep 2022	100%
	–	2,560	–	–	–	2,560	5 May 2023	100%
Sonia Sedler[3]	407	–	–	407	–	–	-	-
	1,231	–	–	1,231	–	–	-	-
Bertrand Bodson[2]	22,239	–	–	–	–	22,239	1 Nov 2024	100%
Total	**26,738**	**2,560**	**953**	**1,638**	**953**	**26,707**		

1. Salary shares granted to Jon Hauck vest in one-third annual tranches over three years.
2. Restricted awards granted to Jon Hauck and Bertrand Bodson were granted as compensation for forfeited awards from previous employment and vest in full after three years subject to continued employment.
3. Sonia Sedler's salary shares lapsed on her leaving on 18 March 2022.

Share Option Scheme

Executive Directors no longer receive awards under the Share Option Scheme. There are no awards outstanding under this scheme.

ESG Committee report

Setting the framework for our ESG programme and supporting initiatives across the Group.

Georges Fornay
Chair of the ESG Committee

At a glance

Committee membership

The members of the ESG Committee are Georges Fornay, Marion Sears, Neil Thompson, Bertrand Bodson and Jon Hauck.

The members of the Committee and their attendance at meetings during the year, as well as full biographies of each member can be found on pages 70 to 73.

Key responsibilities

- Oversight of ESG priorities: People (including diversity, equity, inclusion and belonging), Client, Community, Planet and Corporate Governance
- Setting metrics and targets
- Oversight of related policies and frameworks
- Supporting related activities

Our framework

See pages 40 to 55 for details of our ESG initiatives

Introduction from the Chair

As Chair of the ESG Committee, I'm very pleased to present our ESG Committee Report for the first full calendar year of its operation.

The global focus on ESG matters is sharpening, and we acknowledge that our shareholders, employees, customers and suppliers are becoming increasingly interested in our ESG programme. We see this as a positive development because we're conscious of the social impact of our business, as well as the impact climate change may have on our business. At Keywords, we recognise a collective responsibility and accountability to take account of the interests of our stakeholders and to contribute positively to the environmental and social initiatives of our customers and wider industry.

Composition and attendance

The Committee members are Marion Sears, Neil Thompson, Bertrand Bodson, Jon Hauck and myself. More information about the Committee members can be found on pages 70 to 73. The Committee met four times during the financial year and all members attended all Committee meetings. Attendance is reported in detail on page 73. Meetings have been held in person, with some invitees attending remotely via videoconferencing, which has enabled the Committee to operate effectively and allow senior managers to participate in meetings from whichever region they are located.

Role and responsibilities

The Committee has written terms of reference which are available to view on the Company's website www.keywordsstudios.com. The terms of reference clearly define the Committee's responsibilities and duties and were reviewed by the Board in December 2022. In addition to the terms of reference, the Committee has developed an annual agenda, which corresponds with the meeting schedule, to ensure each ESG priority area receives appropriate dedicated focus during the year.

The role of the Committee is to implement and oversee initiatives across the Group, which aim to improve the Group's impact on the areas, which have been identified as ESG priorities for our business and key stakeholders. These pillars are Planet, People, Clients and Communities, which are all underpinned by our Governance practices.

Key activities during the year

Four meetings were held during the year. The Committee received presentations on each pillar, to understand initiatives currently underway and those planned for 2023, and oversaw the development of measures and multi-year targets for each pillar. A number of Group policies have been reviewed and updated to support ESG initiatives, listed below.

- Supplier Code of Conduct
- Sanctions
- Grievance
- Business Travel
- Health and Safety
- Charitable Giving

Responsibility for oversight of these policies has migrated from the Audit Committee to reflect the ESG Committee's enhanced interest and oversight in those aspects of the Group's operations. The Audit Committee remains consulted on and informed of changes to these policies.

The following examples, described in more detail in our Responsible Business Report on pages 40 to 55, illustrate progress made during the year:

- Planet – assessed opportunities for carbon offsetting, assessed scope 1 and 2 carbon emissions and identify environmental initiatives been undertaken at studios
- People – enhanced engagement with employees though regular town hall events
- Client – increased number of strategy discussions with key clients
- Community – enhancing the process for matching charitable donations
- Governance – implementing a new whistleblowing portal

Framework

The table below sets out our ESG programme pillars and key metrics. Further details, including targets and initiatives, can be found on pages 40 to 55.

People	Planet	Community	Client
• Employee satisfaction • Training • Mental health • Women in Games	• Sustainable studios • Carbon offsetting	• Keywords Cares • Hardship fund	• Client satisfaction • Strategic partnerships

Governance

Underpins the four pillars with high standards of governance and business ethics.

Focus for the coming year

The Committee has four meetings scheduled for 2023. Attention will be focused on monitoring initiatives and measuring progress against targets. Deep dives into each pillar will be conducted throughout 2023, to further enhance the Committee's understanding of key opportunities and challenges.

Georges Fornay
Chair of the ESG Committee
15 March 2023

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 2022.

Dividends

The results for the year are set out on page 59 to 61. As described in the Financial and operating overview section, the Board is proposing a final dividend of 1.60 pence per share (2021: 1.45 pence 2022 per share), bringing the total dividend for 2023 to 2.37 pence per share (2021: 2.15 pence per share).

Directors and changes to the Board

The Directors of the Company during the year were Ross Graham, Bertrand Bodson, David Reeves (resigned on 24 May 2022), Giorgio Guastalla (resigned on 26 January 2022), Georges Fornay, Charlotta Ginman, Marion Sears, Neil Thompson, Jon Hauck, Sonia Sedler (stepped down on 18 March 2022) and Don Robert (appointed on 1 February 2023). Biographical details of current members of the Board are set out on pages 70 to 73.

The business of the Company is managed by the Board, which may exercise all the powers of the Company subject to the Company's Articles of Association and the Companies Act 2006.

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 100 and 101. 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.

Corporate governance statement

During the year, Keywords adopted the principles set out in the Quoted Companies Alliance Corporate Governance Code (QCA Code). Our Corporate Governance Statement, prepared in accordance with rule 7.2 of the Financial Conduct Authority's Disclosure Guidance and Transparency rules setting out how the Group has complied with the QCA can be read in full on the Company's website at www.keywordsstudios.com

Directors' indemnity provisions

As permitted by the Company's Articles of Association and the Companies Act 2006, the Directors had the benefit of an indemnity from the Company in respect of liability incurred as a result of their office throughout the financial period and at the date of approval of these financial statements. The Group also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its Directors.

Going concern

The Directors have performed an assessment, including a review of the Group's business activities, performance, position, principal risks and uncertainties (as set out in the Strategic report on pages 62 to 68), as well as the Group's budget for the 2023 financial year and its longer-term plans. After making enquiries, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the consolidated and Company financial statements. In doing so, the Directors have considered the uncertain nature of the Ukrainian crisis, but have noted:

- the net cash position of the Group;
- the strong cash flow performance of the Group through the year;
- the historical resilience of the broader video games industry in times of economic downturn; and
- the ability of the Group to flex its cost base in response to a reduction in trading activity.

The Directors have also considered the Group's strong liquidity position, with net cash of €81.8m and committed undrawn facilities under the Revolving Credit Facility of €150m as at 31 December 2022.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue to operate and meet their liabilities as they fall due for the foreseeable future, a period considered to be at least 12 months from the date of these full-year financial statements and therefore the going concern basis of preparation continues to be appropriate.

Financial risk management

The Group's approach to capital management is shown in Note 25 of the financial statements. The Group's exposure and approach to liquidity, credit, interest rate and foreign currency risk is shown in Note 24 of the financial statements. Our approach to risk management generally and the principal risks facing the Group can be found in the Strategic report on pages 62 to 68.

Articles of Association

Our Articles of Association can be amended by special resolution. They are available on the Company's website at www.keywordsstudios.com

Political donations

No political donations were made in the year.

Share capital structure

At 31 December 2022, the Company's issued share capital was 77,990,057 ordinary shares of one pence each. Further details of the Company's issued share capital are given in Note 2 to the Consolidated Financial Statements on page 123. The Company's ordinary shares rank pari passu in all respects with each other, including for voting purposes and for all dividends and each share carries the right to one vote at general meetings of the Company.

Significant shareholdings

At 28 February 2023, the Company was aware of the following shareholdings of 3% or more of its issued share capital:

Name	Shares	%
Capital Group	6,583,780	8.43
Franklin Templeton	5,120,715	6.56
Octopus Investments	3,953,686	5.06
Liontrust Asset Management	3,093,992	3.96
T Rowe Price Global Investments	3,080,992	3.95
Perone Limited SCSP	2,489,700	3.19
Swedbank Robur	2,455,900	3.14
abrdn	2,445,566	3.13

Subsidiary undertakings

A list of the Group's subsidiary undertakings and non-UK branches is provided in the Note 28 of the financial statements on pages 152 to 155.

Significant events and future developments

Important events and changes to the Group since the financial year end are described in Note 29 of the financial statements, the Chief Executive Officer's review on pages 10 to 15, the service line review on pages 34 to 39 and the Financial and operating overview on page s 58 to 61. Future developments are described in the Strategy section of the Strategic report on pages 20 to 25.

Post balance sheet events

There have been no material events affecting the Group since 31 December 2022.

Change of control

Information on agreements between the Company and its Directors providing for compensation for loss of office of employment (including details of change of control provisions in share schemes) is set out on page 93. Otherwise, there are no agreements between the Company and its employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Non-financial information

Information providing an understanding of our development, performance and position on key non-financial matters are incorporated within the Strategic report by reference and can be read on page 69.

People and organisation

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

Keywords' average number of employees was 11,141 during 2022. We are committed to positively contributing to our company culture and helping our Keywordians fulfil their complete potential. This permanent headcount is supplemented with staff on short-term contracts as activity changes throughout the year.

Employment policy

A key imperative of the Group is to attract, develop and retain high calibre individuals. Keywords has a range of employment policies covering such issues as diversity, equity, inclusion and belonging, well-being and equal opportunities. The Group continues to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular skills and experience. Appropriate arrangements are made for the continued employment and training, career development and promotion of people living with disabilities employed by the Group, including making reasonable adjustments where required.

Employee involvement

The Group provides employees with information on matters of concern to them so that their views can be taken into account when making decisions that are likely to affect their interests. A summary of the methods we use to engage with our employees are provided in the Responsible business report on pages 40 to 55 and the Section 172 statement on pages 56 and 57. The Company operates a number of employee share plans to incentivise and retain employees (see page 92). We continue to review options to expand participation in employee share schemes to improve incentives and align them with the long-term success of the Group.

Employee share plans

Details of employee share plans are set out in Note 10 to the Financial Statements on page 115.

Corporate responsibility

Keywords seeks to be a socially responsible Group which has a positive impact on the communities in which it operates. By the nature of the business, we employ a diverse workforce, with many nationalities working closely together at our studio locations globally. No discrimination is tolerated and we endeavour to give all employees the opportunity to develop their capabilities. We provide an inclusive working environment and appropriate training. Further details are provided in the Responsible business report on pages 42 to 47.

Disclosure of information to auditor

As far as the Directors are aware, there is no relevant audit information (that is, information needed by the Group's Auditor in connection with preparing their report) of which the Group's Auditor is unaware, and each Director has taken all reasonable steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's Auditor is aware of that information.

Annual general meeting

It is intended that the 2023 AGM will be held at 9.30 a.m. on 26 May 2023 at the offices of DLA Piper UK LLP at 160 Aldersgate Street, London EC1A 4HT, United Kingdom. The Notice of AGM accompanies this Annual Report and is available online at www.keywordsstudios.com

By order of the Board

Jon Hauck
Chief Financial Officer
15 March 2023

Statement of Directors' responsibilities

Financial statements and accounting records

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

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 UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, the Directors must not approve the Annual Report and 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 international accounting standards in conformity with the requirements of the Companies Act 2006 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.

The Directors 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.

Disclosure of information to the auditors

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

The Directors as at the date of this report, whose names and functions are listed in the Board of Directors section on pages 70 to 73, 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.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report on pages 2 to 69 and the Directors' report on pages 70 to 106 include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

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 website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website 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

Jon Hauck

Chief Financial Officer

15 March 2023

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 2022 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 United Kingdom adopted international accounting standards, and as regards the Parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRCs Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting in the preparation of the financial statements included;

- We considered as part of our risk assessment the nature of the company, its business model and related risks, the requirements of the applicable financial reporting framework and the system of internal control.
- We have reviewed the Directors' assessment of the Group and Company's ability to continue as a going concern, challenging the underlying data and key assumptions used to make the assessment, and stress tested the directors' plans for future actions in relation to their going concern assessment.
- We have reviewed the historical accuracy of budgeting and forecasts made by the Group and Company as an indicator as to their reliability.
- We have reviewed the performance of the business in the year, including its cash flow performance, liquidity position, and financing facilities, up to and including the date of signing the audit opinion.

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

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

An overview of the scope of our audit

The Group has diverse international operations. Our 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. We also assessed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Independent Auditor's Report continued

To the members of Keywords Studios plc

Significant components

Based on our assessment, we have completed full scope audit procedures in relation to the following entities; Keywords Studios plc, Keywords International Limited, Keywords Studios QC Games, Tantalus Media Pty Limited, High Voltage Software Inc, Heavy Iron Inc, G-Net Media Inc and Climax Studios Limited.

Specified audit procedures

In addition, specific audit procedures have been completed in relation to certain material balances and transaction streams in VMC Embedded Services, Keywords Canada Holdings Inc (formerly Volt Canada Inc), Keywords Studios QC-Tech Inc (formerly Alchemic Dream Inc), D3T Limited, Electric Square Limited and Studio Gobo.

The above full scope and specified audit procedure entities represent 85% of group revenues.

Desktop review procedures have been performed on the remaining non-significant components in the group.

The Group auditor, BDO Dublin, has audited Keywords Studios plc, Keywords International Limited, Studio Gobo Limited, Electric Square Limited, Climax Studios, Keywords Studios QC-Games Inc, Keywords Studios QC-Tech Inc, VMC Embedded Services, Keywords Canada Holdings Inc, G-Net Media Inc, High Voltage Software Inc, Heavy Iron Inc and D3T Limited. 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 Group Auditor visited Montreal to assess the audit work completed for several North American entities.

Parent Company and consolidation

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.

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 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 group's financial performance and position.

Following the purchase price allocations (in which identifiable assets and liabilities assumed were recognised at fair value), €397m (2021 : €325m) of goodwill has been recognised cumulatively to date. 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 and Intellectual property. The valuation of these assets was 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 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 consolidated financial statements for the accounting policy in relation to business combinations. In addition, detailed disclosures have been made in relation to the current year business combinations in note 27 to the financial statements.

Audit Response

We have reviewed the underlying contracts and share purchase agreements relating to each acquisition to assess whether 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 management's assessments of the fair value of the assets and liabilities acquired, and in particular, the methodology applied in the valuation of intangible assets and goodwill.

Our procedures included;

- We reviewed the methodology applied to identify the categories of intangible assets,
- We evaluated whether 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 management's 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 evaluate whether management had been consistent in its approach to valuations, and
- We assessed the adequacy of the acquisition disclosures in the Group's financial statements.

In addition, we have examined the terms of all business combinations to assess whether 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 and considered whether they have been appropriately accounted for in line with the group accounting policy and the requirements of IFRS 3.

2 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 €397m (2021: €325m), and intangibles carrying value of €73m (2021: €29m). 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 are eight cash generating units ("CGU's") in the group, for the purposes of impairment assessment.

Related Disclosures

Refer to note 2 of the accompanying consolidated 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 the current year business combinations in note 27 to the financial statements. Detailed disclosures are made in note 11 relating to goodwill and intangible assets.

Audit Response

We have reviewed the Director'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 evaluated that the CGU's identified are the lowest level at which management monitors goodwill and intangible assets,
- We have reviewed 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,
- We have assessed the key estimates and inputs into the discounted cash flow models, including the growth rates assumed, and tested these where possible to supporting evidence such as post year end activities,
- We have completed 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.

3 Revenue Recognition – cut off

Key Audit Matter

We have assessed revenue recognition under all eight revenue streams individually including the cut off risk of revenue, trade receivables and deferred revenue.

Although the majority of the Group's revenue contracts are non complex in nature, there is a material accrued revenue balance as at 31 December 2022 of €13.2m (2021: €10m). We focused on this area due to the risk of management manipulation of the timing of revenue recognition and the cut off relating to accrued revenue at the year end.

Related Disclosures

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

Independent Auditor's Report continued

To the members of Keywords Studios plc

Audit Response

We have performed audit procedures to understand the application of the revenue recognition accounting policies and to assess whether for each material revenue stream, that 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 audit work included, but was not restricted to, reviewing a sample of transactions both throughout the year and around the year end, to assess that the stage of completion and therefore accrued revenue is reflective of the underlying project status. We have tested these transactions to supporting documentation such as sales orders and contracts from customers, project status evidence, and subsequent billing. When examining samples of transactions around the year end we have assessed whether the revenue has been recognised in the correct period.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions in the financial statements, 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 €5.7m, which represents 5% of adjusted profit before tax, 8% of profit before taxation, and represents approximately 1% of equity. We consider profit before income tax, and adjusted profit before 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 2021 (€4.4m), due to the increased profits of the group.

We assessed the parent company's materiality using a % of net assets as the most appropriate benchmark as the parent company is an investment holding Company. However we capped this same level as the group materiality.

Whilst materiality for the financial statements as a whole was €5.7m, each component of the group was audited to a lower level of materiality within a range from €3.9m to €3.4m. 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.

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 €285,000 (2021: €220,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Company. We determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (United Kingdom adopted International Accounting Standards and the Companies Act 2006).
- We understood how the Group and Company are complying with those legal and regulatory frameworks by making enquiries to management and those responsible for legal and compliance procedures and the Company secretary. We corroborated our enquiries through our review of board minutes.
- We assessed the susceptibility of the Group and Company's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it is considered there was a susceptibility of fraud. We considered the programs and controls that the Group and Company have established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free of fraud or error.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-for. This description forms part of our auditor's report.

Independent Auditor's Report continued

To the members of Keywords Studios plc

Use of our report

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

Stephen McCallion (Senior Statutory Auditor)

For and on behalf of BDO, Statutory Auditor
Dublin 2, Ireland

15 March 2023

Consolidated statement of comprehensive income

	Note	Years ended 31 December 2022 €'000	2021 €'000
Revenue from contracts with customers	4	690,718	512,200
Cost of sales	5	(423,452)	(312,086)
Gross profit		267,266	200,114
Other income	5	1,098	–
Share-based payments expense	23	(18,678)	(16,394)
Costs of acquisition and integration	5	(8,413)	(7,972)
Amortisation of intangible assets	11	(16,810)	(13,688)
Total of items excluded from adjusted profit measures		(43,901)	(38,054)
Other administration expenses		(152,653)	(111,695)
Administrative expenses		(196,554)	(149,749)
Operating profit		71,810	50,365
Financing income	6	1,986	2,045
Financing cost	6	(5,814)	(4,427)
Profit before taxation		67,982	47,983
Taxation	7	(20,612)	(13,875)
Profit after taxation		47,370	34,108
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain/(loss) on defined benefit plans	20	286	27
Items that may be reclassified subsequently to profit or loss			
Exchange gain/(loss) in net investment in foreign operations		(7,947)	8,228
Exchange gain/(loss) on translation of foreign operations		6,144	14,581
Non-controlling interest; recycled on disposal of subsidiary		162	–
Total comprehensive income/(expense)		46,015	56,944
Profit/(loss) for the period attributable to:			
Owners of the parent		47,415	34,175
Non-controlling interest		(45)	(67)
		47,370	34,108
Total comprehensive income/(expense) attributable to:			
Owners of the parent		46,015	57,011
Non-controlling interest		–	(67)
		46,015	56,944

Earnings per share		€ cent	€ cent
Basic earnings per ordinary share	8	61.54	45.16
Diluted earnings per ordinary share	8	58.86	42.98

The notes from page 117 onwards form an integral part of these consolidated financial statements.

On behalf of the Board

Bertrand Bodson
Director
15 March 2023

Jon Hauck
Director

Consolidated statement of financial position

	Note	2022 €'000	2021 €'000
Non-current assets			
Intangible assets	11	469,953	353,943
Right of use assets	12	37,672	35,991
Property, plant and equipment	13	44,784	36,018
Deferred tax assets	21	22,757	21,468
Investments	14	175	175
		575,341	447,595
Current assets			
Cash and cash equivalents		81,886	105,710
Trade receivables	15	81,563	68,067
Other receivables	16	61,415	49,110
Corporation tax recoverable		6,503	6,764
		231,367	229,651
Current liabilities			
Trade payables		15,878	11,122
Other payables	17	139,355	108,423
Loans and borrowings	18	45	81
Corporation tax liabilities		22,028	12,635
Lease liabilities	19	12,414	11,217
		189,720	143,478
Net current assets/(liabilities)		41,647	86,173
Non-current liabilities			
Other payables	17	18,308	18,254
Employee defined benefit plans	20	2,861	3,088
Loans and borrowings	18	6	48
Deferred tax liabilities	21	8,617	13,840
Lease liabilities	19	30,105	26,418
		59,897	61,648
Net assets		557,091	472,120
Equity			
Share capital	22	924	904
Share capital – to be issued	22	2,467	2,185
Share premium	22	47,021	38,549
Merger reserve	22	286,655	273,677
Foreign exchange reserve		11,018	12,821
Shares held in Employee Benefit Trust ("EBT")	22	–	(1,997)
Share-based payments reserve		65,379	48,193
Retained earnings		143,627	97,905
		557,091	472,237
Non-controlling interest		–	(117)
Total equity		557,091	472,120

The notes from page 117 onwards form an integral part of these consolidated financial statements. The financial statements were approved and authorised for issue by the Board on 15 March 2023.

On behalf of the Board

Bertrand Bodson
Director
15 March 2023

Jon Hauck
Director

Consolidated statement of changes in equity

	Share capital €'000	Share capital – to be issued €'000	Share premium €'000	Merger reserve €'000	Foreign exchange reserve €'000	Shares held in EBT €'000	Share-based payments reserve €'000	Retained earnings €'000	Total attributable to owners of parent €'000	Non-controlling interest €'000	Total equity €'000
At 01 January 2021	879	13,047	22,951	250,276	(9,988)	(1,997)	31,799	64,318	371,285	(50)	371,235
Profit/(loss) for the period	–	–	–	–	–	–	–	34,175	34,175	(67)	34,108
Other comprehensive income	–	–	–	–	22,809	–	–	27	22,836	–	22,836
Total comprehensive income for the period	–	–	–	–	22,809	–	–	34,202	57,011	(67)	56,944
Contributions by and contributions to the owners:											
Share-based payments expense	–	–	–	–	–	–	16,394	–	16,394	–	16,394
Share options exercised	11	–	4,929	–	–	–	–	–	4,940	–	4,940
Employee Share Purchase Plan	–	–	398	–	–	–	–	–	398	–	398
Dividends	–	–	–	–	–	–	–	(615)	(615)	–	(615)
Acquisition-related issuance of shares	14	(10,862)	10,271	23,401	–	–	–	–	22,824	–	22,824
Contributions by and contributions to the owners	25	(10,862)	15,598	23,401	–	–	16,394	(615)	43,941	–	43,941
At 31 December 2021	904	2,185	38,549	273,677	12,821	(1,997)	48,193	97,905	472,237	(117)	472,120
Profit/(loss) for the period	–	–	–	–	–	–	–	47,415	47,415	(45)	47,370
Recycled on disposal of subsidiary	–	–	–	–	–	–	–	–	–	162	162
Other comprehensive income	–	–	–	–	(1,803)	–	–	286	(1,517)	–	(1,517)
Total comprehensive income for the period	–	–	–	–	(1,803)	–	–	47,701	45,898	117	46,015
Contributions by and contributions to the owners:											
Share-based payments expense	–	–	–	–	–	–	18,577	–	18,577	–	18,577
Share options exercised	14	–	5,862	–	–	1,997	(1,492)	–	6,381	–	6,381
Employee Share Purchase Plan	–	–	909	–	–	–	101	–	1,010	–	1,010
Dividends	–	–	–	–	–	–	–	(1,979)	(1,979)	–	(1,979)
Acquisition-related issuance of shares	6	282	1,701	12,978	–	–	–	–	14,967	–	14,967
Contributions by and contributions to the owners	20	282	8,472	12,978	–	1,997	17,186	(1,979)	38,956	–	38,956
At 31 December 2022	924	2,467	47,021	286,655	11,018	–	65,379	143,627	557,091	–	557,091

Consolidated statement of cash flows

	Note	Years ended 31 December 2022 €'000	2021 €'000
Cash flows from operating activities			
Profit after taxation		47,370	34,108
Income and expenses not affecting operating cash flows			
Depreciation – property, plant and equipment	13	18,365	11,661
Depreciation and impairment – right of use assets	12	14,585	10,473
Amortisation and impairment of intangible assets	11	16,810	13,688
Taxation	7	20,612	13,875
Share-based payments expense	23	18,678	16,394
Fair value adjustments to contingent consideration	5	2,282	5,567
Unwinding of discounted liabilities – deferred consideration	6	2,922	1,882
Unwinding of discounted liabilities – lease liabilities	6	969	985
Interest receivable	6	(309)	(62)
Fair value adjustments to employee defined benefit plans	20	514	419
Interest expense	6	1,261	1,040
Unrealised foreign exchange (gain)/loss		766	583
		97,455	76,505
Changes in operating assets and liabilities			
Decrease/(increase) in trade receivables		(11,771)	(15,117)
Decrease/(increase) in MMTC and VGTR receivable		(3,591)	(4,502)
Decrease/(increase) in other receivables		(6,457)	3,341
(Decrease)/increase in accruals, trade and other payables		18,785	20,158
		(3,034)	3,880
Taxation paid		(17,505)	(23,948)
Net cash generated by/(used in) operating activities		124,286	90,545
Cash flows from investing activities			
Current year acquisition of subsidiaries net of cash acquired	27	(87,494)	(48,697)
Settlement of deferred liabilities on acquisitions	17	(25,800)	(14,393)
Acquisition of property, plant and equipment	13	(27,007)	(19,360)
Investment in intangible assets	11	(501)	(315)
Other investment	14	–	(175)
Interest received		309	62
Net cash generated by/(used in) investing activities		(140,493)	(82,878)
Cash flows from financing activities			
Cash proceeds, where EBT shares were utilised for the exercise of share options	22	505	–
Repayment of loans	18	(79)	(80)
Payments of principal on lease liabilities		(11,361)	(9,953)
Interest paid on principal of lease liabilities	6	(969)	(985)
Dividends paid		(1,979)	(615)
Shares issued for cash	22	6,785	5,338
Interest paid		(828)	(1,753)
Net cash generated by/(used in) financing activities		(7,926)	(8,048)
Increase/(decrease) in cash and cash equivalents		(24,133)	(381)
Exchange gain/(loss) on cash and cash equivalents		309	3,021
Cash and cash equivalents at beginning of the period		105,710	103,070
Cash and cash equivalents at end of the period		81,886	105,710

Notes forming part of the consolidated financial statements

1 Basis of Preparation

Keywords Studios plc (the "Company") is a company incorporated in the United Kingdom. The consolidated financial statements include the financial statements of the Company and its subsidiaries (the "Group") made up to 31 December 2022.

The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards, and in conformity with the requirements of the Companies Act 2006.

Unless otherwise stated, the financial statements have been prepared in thousands ('000) and the financial statements are presented in euro (€) which is the functional currency of the Company.

Going Concern Basis of Accounting

After making enquiries, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the Consolidated and Company financial statements. In doing so, the Directors have considered the following:

- The net cash position of the Group;
- The strong cash flow performance of the Group through the year;
- The continued demand for the Group's services;
- The ability to operate most of its services in a work from home model where studios are temporarily closed;
- The historical resilience of the broader video games industry in times of economic downturn; and
- The ability of the Group to flex its cost base in response to a reduction in trading activity.

The Directors have also considered the Group's strong liquidity position with net cash of €81.8m as at 31 December 2022, and committed undrawn facilities of €150m under the Revolving Credit Facility ("RCF").

The Directors have applied downside sensitivities to the Group's cash flow projections to assess the Group's resilience to adverse outcomes. This assessment included a reasonable worst-case scenario in which the Group's principal risks manifest to a severe but plausible level. Even under the most severe case, the Group would have sufficient liquidity and remain within its banking covenants. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue to operate and meet liabilities as they fall due for the foreseeable future, a period considered to be at least twelve months from the date of these financial statements and therefore the going concern basis of preparation continues to be appropriate.

New Standards, Interpretations and Amendments effective 01 January 2022

A number of new amendments and interpretations to accounting standards are effective from 01 January 2022 including:

- Onerous Contracts – Cost of Fulfilling a Contract – amendments to IAS 37;
- Property, Plant and Equipment: Proceeds before Intended Use – amendments to IAS 16;
- Annual Improvements to IFRS Standards 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41; and
- References to Conceptual Framework – amendments to IFRS 3.

These amendments and interpretations have not resulted in any Group accounting policy changes, and have not had a material effect on the Group's financial statements.

Other accounting pronouncements which have become effective from 01 January 2022 have not had a material impact on the Group.

New Standards, Interpretations and Amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments effective for the period beginning 01 January 2023 are expected to be impactful on the Group moving forward:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2): These amendments relate to the application of materiality in relation to the disclosure of accounting policies, requiring companies to disclose their material accounting policies rather than their significant accounting policies, clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. The Board will consider these amendments in the context of the 2023 Annual Report.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12): Amendments effective 01 January 2023, narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences e.g. Right of use assets and Lease liabilities. As a result in 2023, deferred tax assets and liabilities associated with leases will need to be recognised gross from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. The estimated impact of adoption based on the carrying value of Right of use assets and Lease liabilities at 31 December 2022 would result in additional Deferred tax assets of €9.6m and Deferred tax liabilities of €8.4m being recognised.

Notes forming part of the consolidated financial statements continued

1 Basis of Preparation continued

Other amendments effective for the period beginning 01 January 2023:

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1;
- Definition of Accounting Estimate – Amendments to IAS 8.

The Group does not expect these other amendments, or any other standards issued by the IASB but not yet effective, to have a material impact on the Group.

2 Significant Accounting Policies

Basis of Consolidation

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

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

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

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

Business Combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. The results of acquired operations are included in the consolidated financial statements from the date on which control is obtained. They are consolidated until the date on which control ceases. In the Consolidated statement of financial position, the acquired identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the valuation of the fair value of assets and liabilities acquired is still in progress. Those provisional amounts are adjusted when additional information is obtained about facts and circumstances which would have affected the amounts recognised as of that date, and any adjustments to the provisional values allocated to the consideration, identifiable assets or liabilities (and contingent liabilities, if relevant) are made within the measurement period, a period of no more than one year from the acquisition date.

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. The fair value of contingent consideration at acquisition date is arrived at through discounting the expected payment (based on scenario modelling) to present value. In general, in order for contingent consideration to become payable, pre-defined profit and/or revenue targets must be exceeded. At each balance sheet date, the fair value of the contingent consideration is revalued, with the expected pay-out determined separately in respect of each individual acquisition and any change recognised in the statement 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 classified as an equity arrangement and the value of the shares is fixed at the date of the acquisition. Deferred consideration may also be in the form of cash consideration payable at a future defined date. Such consideration is recognised at fair value at the acquisition date and is split between current liabilities and non-current liabilities depending on when it is due.

Intangible Assets

The Group's Intangible Assets comprise Goodwill, Customer Relationships and Other Intangible Assets.

Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired. The 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 at fair value on the acquisition date and, in the case of contingent consideration classified as a financial liability, re-measured subsequently through the profit and loss. Acquisition-related costs are recognised immediately as an expense in the periods in which the costs are incurred and the services are received. Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the Consolidated statement of comprehensive income.

Customer Relationships

Intangible assets, separately identified from goodwill acquired as part of a business combination (mainly Customer Relationships), are initially stated at fair value. The fair value attributed is determined by discounting the expected future cash flows generated from the net margin of the business from the main customers taken on at acquisition. The assets are amortised on a straight-line basis (to administration expenses) over their useful economic lives (typically five years is deemed appropriate, however, this is re-examined for each acquisition).

Other Intangible Assets

Other intangible assets include Intellectual Property and Music Licences, both acquired and internally developed. Other intangible assets are recognised as assets where it is probable that the use of the asset will generate future economic benefits and where the costs of the asset can be determined reliably. Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses, if any. Subsequent expenditures on capitalised intangible assets are capitalised only when they increase the future economic benefits embodied in the specific assets to which they relate. All other expenditure is expensed as incurred. Other intangible assets with definite useful lives are amortised from the date they are available for use on a straight-line basis over their useful lives, being the estimated period over which the Group will use the assets. Residual amounts, useful lives and the amortisation methods are reviewed at the end of every accounting period.

Development costs are capitalised as an intangible asset if all of the following criteria are met:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- The asset will generate probable future economic benefits and demonstrate the existence of a market or the usefulness of the intangible asset if it is to be used internally;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell it; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following initial recognition of the development expenditure as an intangible asset, the cost model is applied requiring the intangible asset to be carried at cost, less any accumulated amortisation and accumulated impairment losses. The intangible asset is amortised on a straight-line basis over the period of its expected benefit, starting from the date of full commercial use of the product. During the period of development, the asset is tested for impairment annually. If specific events indicate that impairment of an item of intangible asset may have taken place, the item's recoverability is assessed by comparing its carrying amount with its recoverable amount. The recoverable amount is the higher of the fair value net of disposal costs and the value in use.

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.

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.

Investments

Investments are held at cost where the Group does not have control and is not able to exercise significant influence over the investee.

Cash and Cash Equivalents

For the purpose of presentation in the Statements of financial position and in the Statements of cash flows, cash and cash equivalents include cash on hand and on-call deposits with financial institutions.

Foreign Currency

The consolidated financial statements are presented in euro, which is the presentation currency of the Group and the functional currency of the Parent Company.

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. 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.

Notes forming part of the consolidated financial statements continued

2 Significant Accounting Policies continued

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

Exchange differences recognised in profit or loss in Group entities' separate financial statements on the translation of long-term items forming part of the Group's net investment in the overseas operation concerned are classified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation. On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

Revenue from Contracts with Customers

Contracts are typically for services, performing agreed-upon tasks for a customer and can be time-and-materials or milestone-based. Most contracts are short term in duration (generally less than one month); however, milestone-based contracts can be longer term and extend to several months (or in some cases over a year). Where there are multiple performance obligations outlined in a contract, each performance obligation is separately assessed, the transaction price is allocated to each obligation, and related revenues are recognised as services or assets are transferred to the customer. Performance obligations are typically satisfied over time, as the majority of contracts meet the criteria outlined in IFRS 15 paragraph 35 (a) and (c).

Due to the nature of the services provided and the competitive nature of the market, contracts generally allocate specific transaction prices to separate performance obligations. Individual services or individual milestones generally involve extensive commercial negotiation to arrive at the specific agreed-upon tasks, and the related pricing outlined in the contract. Such negotiations extend further for milestone-based contracts to also include the criteria involved in the periodic and regular process of milestone acceptance by the customer. Such criteria may involve qualitative, as well as quantitative, measures and judgements.

In measuring progress towards complete satisfaction of performance obligations, the input method is considered to be the most appropriate method to depict the underlying nature of the contracts with customers, the interactive way the service is delivered and projects are managed with the customer. For time-and-materials contracts, other than tracking and valuing time expended, significant judgement is not normally involved. For milestone-based contracts, progress is generally measured based on the proportion of contract costs incurred at the balance sheet date (e.g. worked days), relative to the total estimated costs of the contract, involving estimates of the cost to completion etc. Added to this, significant judgement can be involved in measuring progress towards customer acceptance of the milestone. Significant judgement may also be involved where circumstances arise that may change the original estimates of revenues, costs or extent of progress towards complete satisfaction of the performance obligations. In such circumstances estimates are revised. These revisions may result in increases or decreases in revenue or costs and are reflected in income in the period in which the circumstances that give rise to the revision became known. When the outcome of a contract cannot be measured reliably, contract revenue is recognised only to the extent that milestones have been accepted by the customer. Contract costs are recognised as incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately.

Revenue recognised represents the consideration received or receivable, net of sales taxes, rebates discounts and after eliminating intercompany sales. Revenue is recognised only where it is probable that consideration will be received. Where consideration is received and the related revenue has not been recognised, the consideration received is recognised as a contract liability (Deferred Revenue), until either revenue is recognised or the consideration is refunded.

Revenue is derived from eight 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. Contracts can be either time-and-materials based or milestone-based, with performance obligations satisfied over time. Contracts are generally short term in duration; however, for longer contracts the input method is used to measure progress (e.g. worked days relative to the total expected inputs). Time-and-materials based contract revenue is recognised as the related services are rendered. For milestone-based contracts where progress can be measured reliably towards complete satisfaction of the performance obligation, revenue is recognised using the input method to measure progress. Where progress cannot be measured reliably, revenue is recognised on milestone acceptance.
- Marketing – Marketing services include game trailers, marketing art and materials, PR and full brand campaign strategies. Contracts can be either time-and-materials based or milestone-based, with performance obligations satisfied over time. Contracts are generally short term in duration; however, for longer contracts the input method is used to measure progress. Time-and-materials based contract revenue is recognised as the related services are rendered. For milestone-based contracts where progress can be measured reliably towards complete satisfaction of the performance obligation, revenue is recognised using the input method to measure progress. Where progress cannot be measured reliably, revenue is recognised on milestone acceptance.
- Game Development – Game Development relates to software engineering services which are integrated with client processes to develop video games. Contracts can be either time-and-materials based or milestone-based, with performance obligations satisfied over time. Contracts are generally longer term in duration. Time-and-materials based contract revenue is recognised as the related services are rendered. For milestone-based contracts where progress can be measured reliably towards complete satisfaction of the performance obligation, revenue is recognised using the input method to measure progress. Where progress cannot be measured reliably, revenue is recognised on milestone acceptance.

- 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. Audio contracts may also involve music licensing or selling music soundtracks. Audio service contracts are typically milestone-based, with performance obligations satisfied over time. Audio services contracts are generally short term in duration; however, for longer contracts where progress towards complete satisfaction of the performance obligation can be measured reliably, revenue is recognised using the input method to measure progress. Where progress cannot be measured reliably, audio services revenue is recognised on milestone acceptance. Music licensing and music soundtracks performance obligations are assessed separately, and related revenue is recognised on licence inception and on delivery of the soundtracks, respectively.
- Functional Testing – Functional Testing relates to quality assurance services provided to game producers to ensure games function as required. Contracts are typically time-and-materials based and performance obligations are satisfied over time. Contracts are generally short term in duration. Revenue is recognised as the related services are rendered.
- Localization – Localization services relate to translation and cultural adaptation of in-game text and audio scripts across multiple game platforms and genres. Contracts are typically time-and-materials based and performance obligations are satisfied over time. Contracts are generally short term in duration; however, for longer contracts the input method is used to measure progress. Localization contracts may also involve licensing translation software as a service. Such revenue is assessed separately. Revenue is recognised as the related services are rendered.
- Localization Testing – Localization Testing involves testing the linguistic correctness and cultural acceptability of computer games. Contracts are typically time-and-materials based and performance obligations are satisfied over time. Contracts are generally short term in duration. Revenue is recognised as the related services are rendered.
- 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. Contracts are typically time-and-materials based and performance obligations are satisfied over time. Contracts are generally long term in duration. Player Support contracts may also involve digital support platform software as a service. Revenue is recognised as the related services are rendered.

Multimedia Tax Credits/Video Game Tax Relief

The multimedia tax credits ("MMTC") received in Canada and video games tax relief ("VGTR") in the UK are tax credits related to staff costs. Tax credits are recognised as income over the periods necessary to match the credit on a systematic basis with the costs that it is intended to compensate. Thus, credits are taken as a deduction against direct costs each period, but typically paid in the following financial year once the claims have been submitted and agreed. The nature of the grants is such that they are not dependent on taxable profits, and are recognised (under IAS 20), at their fair value when there is a reasonable assurance that the grant will be received and all attaching conditions have been complied with.

Share-based Payments

The Company issues equity-settled share-based payments to certain employees and Directors under a Share Option Scheme and a Long-Term Incentive Plan ("LTIP"). Conditional awards under the rules of the LTIP Plan ("Salary Shares") are also issued to certain employees and Directors.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period. Other than continuous service, grants do not have non-market-based vesting conditions. At each reporting date the Company adjusts for unvested forfeitures and the impact is recognised in profit or loss, with a corresponding adjustment to equity reserves. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

Additional employer costs, including social security taxes, in respect of options and awards are expensed over the vesting period with a corresponding liability recognised. The liability recognised depends on the number of options that are expected to be exercised, and the liability is adjusted by reference to the fair value of the options at the end of each reporting period.

Where share-based payments are issued to employees of subsidiary companies, the annual cost of the options are recharged to the subsidiary company through an inter-company recharge.

Employee Share Purchase Plan

In 2021, the Group introduced an Employee Share Purchase Plan ("ESPP"). The ESPP allows individual employees the possibility to save up to €500 monthly and acquire KWS shares discounted by 10% on the market price at the date of purchase. The plan has bi-annual purchase periods, with share-based benefits expensed within the period.

Notes forming part of the consolidated financial statements continued

2 Significant Accounting Policies continued

Share Option Plan

These are measured at fair value 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 vesting after four years. The only vesting condition is continuous service. There is no requirement to revalue the option at any subsequent date.

LTIP

The exercise of LTIP awards is subject to the Company's share price (stock symbol: KWS) performance versus the designated Share Index in terms of shareholder return over a three-year period. For the awards granted up to 2015, one-third of the share options vested if the Company exceeded the Total Shareholder Returns ("TSR") of the Numis Small Cap Index (excluding Investment Trusts) by 10%, two-thirds if the TSR exceeded the Index by 20% and full vesting if the TSR exceeded the Index by 30%. This was amended for the 2016 and 2017 awards to 100% vesting if the shareholder return exceeds the Index by 45%, and a prorated return between 10% if the TSR matches the Index, to 100% if the TSR exceeds the Index by 45%. The scheme was further amended in 2018 to 100% vesting if the TSR exceeds the Index by 20%, and a prorated return between 10% and 100% if the TSR exceeds the Index by between 0% and 20%. In 2019, the benchmark Index was amended for future grants to be the FTSE Small Cap Index, with the same performance conditions as 2018. In 2021, the benchmark Index was amended to be the FTSE250 Index (excluding investment trusts) and threshold vesting (25% of the award) will be earned for TSR in line with the Index and full vesting will be earned for exceeding the Index TSR by 20% over the performance period. A prorated return will be earned between 25% and 100% if the TSR exceeds the Index by between 0% and 20%.

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.

Salary Shares

Salary shares are measured at fair value on the grant date. As the only vesting condition is continuous service, the fair value of the shares is amortised over the vesting period.

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 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	3–5 years
Office furniture and equipment	10 years
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

The Group's most significant financial assets comprise trade and other receivables and cash and cash equivalents in the Consolidated statement of financial position, whereas the Company's most significant financial assets comprise inter-group receivables.

Trade Receivables

Trade receivables, which principally represent amounts due from customers, are recognised at amortised cost as they meet the IFRS 9 classification test of being held to collect, and the cash flow characteristics represent solely payments of principal and interest. The Group's impairment methodology is in line with the requirements of IFRS 9. The simplified approach to providing for expected credit losses has been applied to trade receivables, which requires the use of a lifetime expected loss provision.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, deposits held on 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.

Accrued Income from Contracts with Customers

Accrued income from contracts with customers, arising from Revenue from contracts with customers, is recognised in accordance with our Revenue Recognition policy, as discussed separately in this note. The Group applies the simplified approach to assessing expected credit losses in relation to such assets, as their maturities are less than twelve months. Based upon the recoverability of contract assets at year end, no significant expected credit loss provision has been applied.

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

Contingent consideration is initially recognised at fair value and subsequently re-measured through the profit and loss. Trade payables, bank borrowings and other monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Leased Assets

A lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration".

At lease commencement date, the Group recognises a right of use asset and a lease liability on the balance sheet. The right of use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right of use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The Group also assesses the right of use asset for impairment when such indicators exist. At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or at the Group's incremental borrowing rate.

Notes forming part of the consolidated financial statements continued

2 Significant Accounting Policies continued

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from purchase and extension options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right of use asset, or profit and loss if the right of use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right of use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The Group has applied judgement to determine the lease term for contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the lease liabilities and right of use assets recognised.

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 position. 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 Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Judgements

The judgements, apart from those involving estimations, that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements, are outlined below.

- **Group**
  - **Functional Currency:** The Directors have considered the requirements of IAS 21 in determining the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions to determine the functional currency. Detailed consideration has been given to both the Primary and Secondary Indicators in forming this conclusion. The Primary Indicators relate to revenues, regulation, competitive forces and costs, while the Secondary Indicators are primarily concerned with financing the business and the currency in which receipts from operating activities are usually retained. With a mix of currencies dominating the indicators, there is no clear single currency that influences the Group; however, the euro remains marginally the most dominant when all factors are considered. Therefore, the Directors consider the euro as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.
  - **Business Combinations (Customer relationships):** When acquiring a business, the Group is required to identify and recognise intangible assets, the determination of which requires a significant degree of judgement. Acquisitions may also result in intangible benefits being brought into the Group, some of which qualify for recognition as intangible assets while other such benefits do not meet the recognition requirements of IFRS and therefore form part of goodwill. Customer relationships are recognised as separate assets where revenues are recurring in nature and material revenues have been generated with the customer for a continuous period of three years. For the Game Development service line, the key asset acquired is typically "know-how", an asset that is not readily measurable and thus intrinsically linked to goodwill. Relationships are typically fixed term contract based rather than relationship based. Therefore, neither customer contracts nor customer relationships are typically recognised on the acquisition of a Game Development business.
  - **IFRS 16 Leases:** The Group has determined that the Group's incremental borrowing rate is the appropriate rate to use to discount lease liabilities. The Group has applied judgement to determine the lease term for contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the lease liabilities and right of use assets recognised.

- **Business Combinations (put and call options over Non-controlling interest):** The Group acquired an 85% interest in Tantalus in March 2021, with the sellers retaining a minority shareholding. The shareholder agreement (signed with the purchase agreement) includes put and call options ("the Forward") that require the sellers to sell, or require the Group to buy, the remaining 15% shareholding in three years using a pre-determined valuation methodology linked to post-acquisition performance. IFRS 3 does not provide specific guidance on how such contracts should be accounted for in a business combination. The Board determined, taking into consideration all the contracts' terms and conditions, that the impact of the Forward put the Group in a similar position as if the Group had acquired a 100% interest in the subsidiary on the acquisition date, with deferred contingent consideration payable at a future date. In doing so, the Board considered whether the risks and rewards of ownership reside with the Non-controlling interest or had effectively transferred to the Group, and concluded that the Non-controlling interest arising on the acquisition had been extinguished by a combination of the Forward and other conditions in the agreements. Therefore, the Group has accounted for the acquisition as if a 100% interest was acquired on acquisition, accounting for the initial investment and the Forward as a single linked transaction in which 100% control is gained, with the Forward recognised at fair value, as a financial liability within Deferred and contingent consideration (note 17), and no Non-controlling interest recognised on the acquisition. Any subsequent re-measurement required due to changes in the fair value of the liability will be recognised in the Consolidated statement of comprehensive income.
- **Operating Segments:** While previously it was considered that the Group's activity, as a single-source supplier of services to the gaming industry, constituted one operating and reporting segment (as defined under IFRS 8 Operating Segments), following on recent executive and organisational changes, the Board consider it more meaningful to present information by segment aligning to the new organisational and reporting structures:

  - **Create –** Game Development and Art Creation;
  - **Globalize –** Functional Testing, Localization Testing, Audio and Localization; and
  - **Engage –** Marketing and Player Support.

  The Operating segments are reported in note 4, in a manner consistent with the new internal organisational and management structure, and the internal reporting information provided to the Chief Operating Decision Maker ("CODM") who is responsible for allocating resources and assessing performance of the operating segments. The CODM has been identified as the executive management team made up of the Chief Executive Officer and the Chief Financial Officer. As a corollary, the Board also considered how the change in segmental reporting impacted the Group's cash generating units ("CGUs"). CGUs represent the lowest level at which goodwill is monitored for internal management purposes and are not larger than the operating segments determined in accordance with IFRS 8. While previously the Group was considered to have one CGU, the change in segmental reporting requires the Group's CGUs to be reconsidered. The Board determined that monitoring goodwill for impairment at the line of business level (i.e. Art Creation, Game Development etc.) would be the most appropriate (see note 11).

- **Goodwill:** Goodwill is required to be tested for impairment at least annually or more frequently if changes in circumstances or the occurrence of events indicating potential impairment exist. The Group uses the present value of future cash flows to determine recoverable amounts. In calculating the value in use, significant judgement and estimation is required in forecasting cash flows of CGUs, in determining terminal growth values and in selecting an appropriate discount rate.

Estimates and Assumptions

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

A number of areas requiring the use of estimates and critical judgements impact the Group's earnings and financial position. These include revenue recognition, the computation of income taxes, the value of goodwill and intangible assets arising on acquisitions, the valuation of multimedia tax credits/video game tax relief, leasing and the valuation of defined retirement benefits. The Directors consider that no reasonably possible changes to any of the assumptions used in the estimates would in the view of the Directors give rise to significant risk of a material adjustment to the carrying value of the associated balances in the subsequent financial year.

Notes forming part of the consolidated financial statements continued

4 Segmental Analysis and Revenue from Contracts with Customers

Segmental Analysis*

Revenue from external customers	2022 €'000	2021 €'000
Create	275,570	188,178
Globalize	300,875	231,901
Engage	114,273	92,121
	690,718	512,200

Segment operating profit		
Create	69,748	49,730
Globalize	61,577	47,383
Engage	15,576	12,987
	146,901	110,100

Reconciliation of Segment operating profit		
Adjusted EBITDA^	146,901	110,100
Share-based payments expense	(18,678)	(16,394)
Costs of acquisition and integration	(8,413)	(7,972)
Non-controlling interest	–	(67)
Other income	1,098	–
Amortisation of intangible assets	(16,810)	(13,688)
Depreciation – property plant and equipment	(18,365)	(11,661)
Depreciation and impairment – right of use assets	(14,585)	(10,473)
Bank charges	662	520
Operating profit	71,810	50,365
Financing income	1,986	2,045
Financing cost	(5,814)	(4,427)
Profit before taxation	67,982	47,983

* The prior year comparatives have been re-classified to present information by segment, aligning to the new organisational and reporting structures (see note 3).

^ The Group reports a number of alternative performance measures ("APMs"), including Adjusted EBITDA, to present the financial performance of the business, that are not GAAP measures as defined under IFRS. Segmental results are reported in a manner consistent with these measures. A reconciliation of Adjusted EBITDA to the relevant GAAP measure is presented in the APMs section.

Operating segments are reported in a manner consistent with the internal organisational and management structure, and the internal reporting information provided to the Chief Operating Decision Maker ("CODM") who is responsible for allocating resources and assessing performance of the operating segments. The CODM has been identified as the executive management team made up of the Chief Executive Officer and the Chief Financial Officer.

Geographical analysis of non-current assets from continuing businesses*	2022 €'000	2021 €'000
United States	264,117	171,126
United Kingdom	121,556	114,871
Canada	57,652	31,096
Australia	51,869	45,528
Italy	16,471	15,612
Poland	12,561	3,275
Ireland	10,311	8,422
Switzerland	10,025	10,025
China	9,296	8,296
France	7,150	7,548
Other	14,333	31,796
	575,341	447,595

* The prior year comparatives have been re-classified to align to the current year presentation and ranking, as the Directors consider this measure to be more meaningful.

Revenue from Contracts with Customers

Revenue recognised in the reporting period arises from contracts with customers, and is predominantly recognised over time. There were no significant amounts of revenue recognised in the reporting period that were included in a contract liability balance at the beginning of the reporting period, or from performance obligations satisfied in the previous reporting period.

Geographical analysis of revenues, by production location*	2022 €'000	2021 €'000
Canada	155,509	97,748
United States	120,722	96,060
United Kingdom	115,017	94,426
Poland	42,731	21,397
Italy	39,195	32,448
China	26,759	20,350
Russia	26,281	29,424
India	25,290	18,640
Japan	22,716	21,898
Australia	22,211	7,408
Other	94,287	72,401
	690,718	512,200

* The prior year comparatives have been re-classified to align to the current year presentation and ranking by production location.

For many contracts, operations are completed across multiple sites. Analysis of revenues by geographical regions is presented by production location, which may not reflect the jurisdiction from which the final invoice to the client is raised, or the region of the Group's customers, whose locations are worldwide.

No single customer accounted for more than 10% of the Group's revenue in either year presented.

Notes forming part of the consolidated financial statements continued

4 Segmental Analysis and Revenue from Contracts with Customers continued

Revenue Expected to be Recognised

For Game Development, games are developed to an agreed specification and time schedule, and often have delivery schedules and/or milestones that extend well into the future. The following are Game Development revenues expected to be recognised for contracts with a schedule of work that extends beyond one year, representing the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period:

Revenue expected to be recognised	Total undelivered €'000	Scheduled completion within 1 year €'000	Scheduled completion 1–2 years €'000	Scheduled completion 2–5 years €'000
At 31 December 2022	82,060	77,448	4,612	–
At 31 December 2021	55,294	44,973	9,319	1,002

For all service lines excluding Game Development, contracts do not extend to more than one year, therefore information concerning unsatisfied performance obligations are not disclosed, as allowed under the practical expedient exemption under IFRS 15. This practical expedient is also availed of for Game Development contracts of less than one year in duration.

5 Cost of Sales and Operating Profit

Cost of sales	2022 €'000	2021 €'000
Operating expenses	430,475	320,159
Multimedia tax credits/video game tax relief	(21,540)	(20,966)
Other direct costs	14,517	12,893
	423,452	312,086

Operating profit is stated after charging/(crediting):	2022 €'000	2021 €'000
Depreciation – property, plant and equipment	18,365	11,661
Depreciation and impairment – right of use assets	14,585	10,473
Amortisation of intangible assets	16,810	13,688
Costs of acquisition and integration	8,413	7,972
Auditor's remuneration	689	605
Short-term leases	2,140	1,531
Other income	(1,098)	–

Costs of acquisition and integration	2022 €'000	2021 €'000
Acquisition and integrations costs re: current year acquisitions (note 27)	1,177	1,099
Acquisition and integrations costs re: prior acquisitions	631	191
Fair value adjustments to contingent consideration (note 17)	2,282	5,567
Deferred consideration related to continuing employment	3,266	454
Acquisition team and related costs	671	313
Other reorganisation and restructuring costs	386	348
	8,413	7,972

Auditor's remuneration	2022 €'000	2021 €'000
Audit services:		
Parent company and Group audit	318	314
Subsidiary companies audit	358	278
Non-audit services:		
Audit-related assurance services	13	13
	689	605

Other income	2022 €'000	2021 €'000
Gain on disposal of investment	(1,098)	–
	(1,098)	–

Other income represents the gain on disposal of the Group's investment in AppSecTest in April 2022 (including related Non-controlling interest re-cycled on disposal).

6 Financing Income and Cost

	2022 €'000	2021 €'000
Financing income		
Interest received	309	62
Foreign exchange gain	1,677	1,983
	1,986	2,045
Financing cost		
Bank charges	(662)	(520)
Interest expense	(1,261)	(1,040)
Unwinding of discounted liabilities – lease liabilities	(969)	(985)
Unwinding of discounted liabilities – deferred consideration	(2,922)	(1,882)
	(5,814)	(4,427)
Net financing income/(cost)	(3,828)	(2,382)

Notes forming part of the consolidated financial statements continued

7 Taxation

	2022 €'000	2021 €'000
Current income tax		
Income tax on profits	25,844	17,632
Deferred tax (note 21)	(5,232)	(3,757)
	20,612	13,875

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

	2022 €'000	2021 €'000
Profit before tax	67,982	47,983
Tax charge based on the Effective tax rate*	12,156	10,527
Income tax prior year (over)/under provision	(653)	(261)
Deferred tax prior year (over)/under provision and impact of change in tax rates	(204)	148
Items disallowed for tax purposes	7,468	3,430
Exempt and non-taxable income	(72)	(174)
Tax incentives	(924)	(951)
Current year tax losses utilised	(250)	(363)
Current year tax losses where deferred tax has not been provided	346	204
State and other direct taxes	932	658
Other differences – net	1,813	657
Total tax charge	20,612	13,875
* Effective tax rate – being the statutory tax rate relative to the profit before tax in each jurisdiction	17.9%	21.9%

The Group's subsidiaries are located in different jurisdictions and are taxed on their residual profit in those jurisdictions. The effective tax rate will vary year on year due to the effect of changes in tax rates and changes in the proportion of profits in each jurisdiction.

Tax effects relating to each component of other comprehensive income	2022 €'000	2021 €'000
Exchange gain/(loss) in net investment in foreign operations	(7,947)	8,228
Tax (expense)/benefit	993	(1,029)
Net of tax amount	(6,954)	7,199
Actuarial gain/(loss) on defined benefit plans	286	27
Tax (expense)/benefit	–	–
Net of tax amount	286	27
Exchange gain/(loss) on translation of foreign operations	6,144	14,581
Tax (expense)/benefit	–	–
Net of tax amount	6,144	14,581

8 Earnings per Share

	2022 € cent	2021 € cent
Basic	61.54	45.16
Diluted	58.86	42.98

Earnings	€'000	€'000
Profit for the period from continuing operations	47,370	34,108

Weighted average number of equity shares	Number	Number
Basic (i)	76,979,596	75,526,296
Diluting impact of share options (ii)	3,502,301	3,826,990
Diluted (i)	80,481,897	79,353,286

(i) Includes (weighted average) shares to be issued:

	Number	Number
	67,802	219,146

(ii) Contingently issuable ordinary shares have been excluded where the conditions governing exercisability have not been satisfied:

	Number	Number
LTIPs	409,728	903,656
Share options	511,411	–
	921,139	903,656

Details of the number of share options outstanding at the year-end are set out in note 23.

9 Dividends

Dividends paid	In respect of	Approval date	€ cent per share	Pence STG per share	Total dividend €'000	Payment date
Interim	2021	Sep-21	0.81	0.70	615	Oct-21
Dividends paid to shareholders 2021			0.81	0.70	615	
Final	2021	Mar-22	1.70	1.45	1,305	Jun-22
Interim	2022	Sep-22	0.90	0.77	674	Oct-22
Dividends paid to shareholders 2022			2.60	2.22	1,979	

Recommended	In respect of	Approval date	Expected € cent per share	Pence STG per share	Expected total dividend €'000	Expected payment date
Final	2022	Mar-23	1.80	1.60	1,406	Jun-23

At 31 December 2022, Retained earnings available for distribution (being Retained earnings plus Share-based payments reserve) in the Company were €77.6m (2021: €47.7m). In addition, certain amounts within Merger reserve are considered distributable (see note 22).

In light of COVID-19 the Directors did not recommend any dividend payments for 2020. Dividend payments were resumed in 2021, and the Directors do not foresee any impediment in continuing to implement the dividend policy of the Group moving forward.

The Group does not recognise deferred tax on unremitted retained earnings, as, in general, retained earnings (as dividends) are only remitted where there are minimal or no tax consequences.

Notes forming part of the consolidated financial statements continued

10 Staff Costs

Total staff costs (including Directors)	2022 €'000	2021 €'000
Salaries and related costs	345,857	263,036
Social welfare costs	27,788	30,455
Pension costs	7,222	6,685
Share-based payments expense	18,678	16,394
	399,545	316,570

Average number of employees	2022	2021
Operations	10,272	8,821
General and administration	869	672
	11,141	9,493

Key management compensation	2022 €'000	2021 €'000
Salaries and related costs	2,258	1,569
Social welfare costs	431	201
Pension costs	54	25
Share-based payments expense	1,142	698
	3,885	2,493

The key management compensation comprises compensation to ten Directors of Keywords Studios plc during the year (2021: eleven).

11 Intangible Assets

	Goodwill €'000	Customer relationships €'000	Intellectual property/ Development costs €'000	Total €'000
Cost				
At 01 January 2021	212,164	52,423	3,799	268,386
Recognition on acquisition of subsidiaries	97,918	11,502	–	109,420
Additions	–	–	315	315
Exchange rate movement	14,955	4,400	–	19,355
At 31 December 2021	325,037	68,325	4,114	397,476
Recognition on acquisition of subsidiaries	70,482	34,695	25,914	131,091
Additions	–	–	501	501
Disposals	(159)	–	–	(159)
Exchange rate movement	1,373	1,317	(134)	2,556
At 31 December 2022	396,733	104,337	30,395	531,465
Accumulated amortisation				
At 01 January 2021	147	25,178	2,251	27,576
Amortisation charge	–	13,261	427	13,688
Exchange rate movement	–	2,269	–	2,269
At 31 December 2021	147	40,708	2,678	43,533
Amortisation charge	–	16,285	525	16,810
Disposals	(147)	–	–	(147)
Exchange rate movement	–	1,308	8	1,316
At 31 December 2022	–	58,301	3,211	61,512
Net book value				
At 01 January 2022	324,890	27,617	1,436	353,943
At 31 December 2022	396,733	46,036	27,184	469,953

Customer relationships and intellectual property/development costs are amortised on a straight-line basis over five years. Customer relationships amortisation commences on acquisition, whereas intellectual property/development costs amortisation commences when the product is launched.

Impairment tests for goodwill

The Group assesses the carrying value of goodwill each year on the basis of budget projections for the coming year extrapolated using a one to five year growth rate and a terminal value calculated using a long-term growth rate projection. The (pre-tax) discount rate used of 10.0% (2021: 12.5%) is based on the Board's assessment of the weighted average cost of capital ("WACC") of the Group.

A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The CGUs represent the lowest level within the Group at which the associated goodwill is assessed for internal management purposes and are not larger than the operating segments determined in accordance with IFRS 8 Operating Segments. As outlined in note 3, the Board have determined the lines of business as CGUs, and Goodwill acquired in business combinations has been allocated to the CGUs that are expected to benefit from business combinations to date.

Notes forming part of the consolidated financial statements continued

11 Intangible Assets continued

A summary of the allocation of the carrying value of goodwill by segment and by CGU is presented below:

Segment	CGU	2022 €m	2021 €m
Create:	Game Development	218	177
	Art Creation	19	19
Globalize:	Functional Testing	15	14
	Localization Testing	14	13
	Audio	33	32
	Localization	19	17
Engage:	Marketing	35	42
	Player Support	44	11
		397	325

The value in use calculations were consistently calculated year over year, with no significant changes in the assumptions made. The result of the value in use calculations was that no impairment is required in this period.

Key assumptions

	Actual		Sensitivity analysis			
	2022	2021	2022	2021	2022	2021
1 to 5 year growth rate assumption	10%	10%	15%	15%	5%	5%
Long-term growth rate assumption	2%	2%	2%	2%	2%	2%
Value in use (€m) – all CGUs	1,295	792	1,552	947	1,096	673
Carrying value – goodwill (€m)	397	325				

Sensitivity analysis has been performed across all the CGUs to flex the growth rate by 5% and separately to flex the discount rate by 1%. Under both scenarios there would have been no requirement for the Group to recognise any impairment charge in either period presented, in any individual CGU. The Directors consider that no reasonably probable change in the assumptions would result in an impairment.

12 Right of Use Assets

The Group has entered into leases, across the business, principally relating to property. These property leases have varying terms and renewal rights.

	2022 €'000	2021 €'000
Cost		
At 01 January	63,840	44,092
Additions	15,249	15,392
Recognition on acquisition of subsidiaries	580	1,402
De-recognition of expired leases	(14,186)	–
Exchange rate movement	366	2,954
At 31 December	65,849	63,840
Accumulated depreciation		
At 01 January	27,849	16,285
Depreciation charge	11,753	10,473
De-recognition of expired leases	(14,186)	–
Impairment charge	2,832	–
Exchange rate movement	(71)	1,091
At 31 December	28,177	27,849
Net book value		
At 01 January	35,991	27,807
At 31 December	37,672	35,991

13 Property, Plant and Equipment

	Computers and software €'000	Office furniture and equipment €'000	Leasehold improvements €'000	Total €'000
Cost				
At 01 January 2021	29,206	6,906	14,912	51,024
Exchange rate movement	2,877	783	1,289	4,949
Additions	13,492	1,444	4,424	19,360
Acquisitions through business combinations at fair value	304	266	2	572
Disposals	(2,830)	(185)	(5,699)	(8,714)
At 31 December 2021	43,049	9,214	14,928	67,191
Exchange rate movement	(94)	(109)	105	(98)
Additions	21,962	1,129	3,916	27,007
Acquisitions through business combinations at fair value	243	131	48	422
Disposals	(1,132)	(490)	(828)	(2,450)
At 31 December 2022	64,028	9,875	18,169	92,072
Accumulated depreciation				
At 01 January 2021	16,886	3,302	4,417	24,605
Exchange rate movement	2,342	603	676	3,621
Depreciation charge	8,170	590	2,901	11,661
Disposals	(2,830)	(185)	(5,699)	(8,714)
At 31 December 2021	24,568	4,310	2,295	31,173
Exchange rate movement	47	71	82	200
Depreciation charge	12,539	799	5,027	18,365
Disposals	(1,133)	(490)	(827)	(2,450)
At 31 December 2022	36,021	4,690	6,577	47,288
Net book value				
At 01 January 2022	18,481	4,904	12,633	36,018
At 31 December 2022	28,007	5,185	11,592	44,784

14 Investments

	2022 €'000	2021 €'000
Investments	175	175

From time to time, the Group (via Keywords Ventures Limited) has made modest investments in businesses developing innovative technologies and services that will benefit its clients, while further accelerating the success of investee companies through access to its global platform and relationships.

Notes forming part of the consolidated financial statements continued

15 Trade Receivables

	2022 €'000	2021 €'000
Trade receivables	85,012	69,835
Provision for bad debts (note 24)	(3,449)	(1,768)
Financial asset held at amortised cost	81,563	68,067

Trade receivables arise from revenues derived from contracts with customers.

16 Other Receivables

Current	2022 €'000	2021 €'000
Multimedia tax credits/video games tax relief	25,756	22,860
Accrued income from contracts with customers	13,220	9,997
Prepayments and rent deposits	10,527	7,114
Tax and social security	6,538	4,936
Other receivables	5,374	4,203
	61,415	49,110

Accrued income from contracts with customers represent mainly contract assets in process and related items.

17 Other Payables

	2022 €'000	2021 €'000
Current liabilities		
Accrued expenses	64,734	53,526
Payroll taxes	3,577	2,666
Deferred and contingent consideration (i)	44,945	35,888
Other payables (ii)	26,099	16,343
	139,355	108,423

	2022 €'000	2021 €'000
Non-current liabilities		
Deferred and contingent consideration (i)	18,308	18,254
	18,308	18,254

(i) The movement in deferred and contingent consideration during the financial year was as follows:

	2022 €'000	2021 €'000
Carrying amount at the beginning of the year	54,142	20,802
Consideration settled by cash	(25,800)	(14,393)
Consideration settled by shares	(8,040)	(2,838)
Unwinding of discount (note 6)	2,922	1,882
Additional liabilities from current year acquisitions (note 27)	37,950	40,059
Adjustment arising from prior year business combinations	2,282	5,567
Exchange rate movement	(203)	3,063
Carrying amount at the end of the year	63,253	54,142

In general, in order for contingent consideration to become payable, pre-defined profit and/or revenue targets must be exceeded. The valuation of contingent consideration is derived using data from sources that are not widely available to the public and involves a degree of judgement (Level 3 input in the fair value hierarchy). A 10% increase in expected performance would increase the carrying value of contingent consideration by €1.0m, while a 10% reduction in expected performance would decrease the carrying value by €4.0m. On an undiscounted basis, the Group may be liable for deferred and contingent consideration ranging from €7.7m to a maximum of €66.6m.

(ii) Other payables includes deferred income from contracts with customers of €9,127k (2021: €3,470k), which mainly comprise items invoiced prior to services being delivered. Excluding amounts recognised on acquisition of subsidiaries (€3,461k, see note 27), the movement in the year comprises transfers in and out as items are deferred and subsequently recognised as revenue.

18 Loans and Borrowings

Maturity analysis of Loans and borrowings	2022 €'000	2021 €'000
Current		
Expiry within 1 year	–	–
Non-current		
Expiry between 1 and 2 years	–	–
Expiry over 2 years	51	129
	51	129
	51	129
Currency denomination		
Canadian dollars	51	129

The Company has an unsecured revolving credit facility ("RCF") in place with a syndicate of four lenders. The RCF is a committed facility that allows financing of up to €150m, which may be drawn down in euro, sterling, US dollars or Canadian dollars, with an option (subject to lender consent), to increase the facility by up to €50m to a total of €200m, at interest rates based on a margin over currency benchmark rates, plus a separate margin charged for the unutilised facility. The RCF agreement extends to December 2024, with an option to extend the term by two further one-year periods. The first extension (to 2025) was triggered during 2022.

Loans and borrowings (classified as financial liabilities under IFRS 9), are held at amortised cost. Interest expenses which are calculated using the effective interest method are disclosed in note 6. While technically any borrowings are repaid and re-borrowed multiple times during the term of the RCF, so long as the Group remains compliant with the financial covenants and certain other terms of the RCF, any debt is rolled from one period to another, with the legal and commercial substance of a multi-year committed facility. Hence the Group presents any RCF liabilities as non-current.

In connection with the financial covenants of the RCF, the Group is required to comply with and report certain interest cover and leverage ratios. Non-compliance with RCF terms could result in lenders refusing to advance funds under the facility or, in the worst case, calling in outstanding loans. Throughout the period, the Group operated well within the applicable ratio terms of both the new and previous RCF agreements.

Notes forming part of the consolidated financial statements continued

18 Loans and Borrowings continued

The movements in Loans and borrowings are as follows:

	Current €'000	Non-current €'000	Total €'000
At 01 January 2021	73	122	195
Cash flows:			
Drawdowns	–	–	–
Repayments	–	(80)	(80)
Non-cash flows:			
Exchange rate movement	8	6	14
At 31 December 2021	81	48	129
Cash flows:			
Drawdowns	–	–	–
Repayments	(37)	(42)	(79)
Non-cash flows:			
Recognition on acquisition of subsidiaries (note 27)	–	–	–
Exchange rate movement	1	–	1
At 31 December 2022	45	6	51

There were no drawdowns on the RCF during 2022. Loans outstanding refer to amounts owed by Keywords Studios QC-Interactive Inc.

19 Lease Liabilities

The Group has entered into leases, across the business, principally relating to property. These property leases have varying terms and renewal rights. Management applies judgement in determining whether it is reasonably certain that a renewal or termination option will be exercised.

The movement in lease liabilities during the financial year was as follows:

	2022 €'000	2021 €'000
Carrying amount at the beginning of the year	37,635	28,864
Recognition on acquisition of subsidiaries (note 27)	580	1,402
Liabilities recognised on new leases in the period	15,244	15,392
Unwinding of discounted liabilities – lease liabilities	969	985
Payment of principal and interest on lease liabilities	(12,330)	(10,938)
Exchange rate movement	421	1,930
Carrying amount at the end of the year	42,519	37,635

The value of leases not yet commenced to which the lessee is committed, which are not included in lease liabilities at 31 December 2022, was €nil (2021: €nil).

	2022 €'000	2022 €'000	2022 €'000	2021 €'000	2021 €'000	2021 €'000
Maturity analysis of lease liabilities	Lease payments	Finance charges	Lease liabilities	Lease payments	Finance charges	Lease liabilities
Current						
Not later than one year	12,740	326	12,414	12,059	842	11,217
Non-current						
Later than one year and not later than five years	26,491	1,447	25,044	21,299	1,488	19,811
Later than five years	5,317	256	5,061	7,000	393	6,607
	31,808	1,703	30,105	28,299	1,881	26,418
At 31 December	44,548	2,029	42,519	40,358	2,723	37,635

The Group has elected not to recognise a lease liability for short-term leases (leases with an expected term of twelve months or less) or for leases of low-value assets. Payments made under such leases are expensed on a straight-line basis. The expenses in the period relating to payments not included in the measurement of the lease liability were as follows:

Lease payments not recognised as a liability	2022 €'000	2021 €'000
Short-term leases	2,140	1,531
Leases of low value assets	–	–
	2,140	1,531
The future minimum lease payments related to these leases		
Not later than one year	1,282	516
Later than one year and not later than five years	–	–
Later than five years	–	–
	1,282	516

The effect of variable lease payments and reinstatement costs on future cash outflows arising from leases is not material for the Group.

20 Employee Defined Benefit Plans

In line with statutory requirements in France, Italy and India, we are required to maintain employee defined benefit termination payment schemes.

In France, employees are entitled to a lump sum on retirement or early termination, based on salary and length of service ("Indemnité de Fin de Carrière" or "IFC"), entitling the Group's French employees to benefits of up to two months' salary per year of service.

In Italy, on leaving employment, each employee is entitled to 1/13.5 of their final salary for each year of service ("Trattamento di Fine Rapporto" or "TFR").

In India, in compliance with statutory requirements, employees with over five years' service are entitled to a termination benefit of 15/26 of monthly salary for each year of service ("Gratuity" benefits).

The Group commissions an actuarial valuation of the related liabilities in each jurisdiction annually.

The liabilities at year end are recorded as long term. The actuarial gain or loss is recorded separately within Other comprehensive income. The movements through the year are as follows:

	2022 €'000	2021 €'000
Opening liabilities at 01 January	3,088	2,693
Service cost	514	419
Interest cost	51	33
Benefits paid	(155)	(141)
Actuarial (gain)/loss	(286)	(27)
Exchange rate movement	(351)	111
Closing liabilities at 31 December	2,861	3,088

The Directors have considered the key specific risk factors which the Group faces due to the employee defined benefit plans which are 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 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 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 Group's results caused by any of these factors. A maturity profile of the obligation is not presented as the liability is not significant in the context of the Group, and due to the age profile of employees a significant outlay is not anticipated for the foreseeable future.

Notes forming part of the consolidated financial statements continued

20 Employee Defined Benefit Plans continued

In 2023, the Group expects the costs of the employee defined benefit plan to be in line with current year levels, as staff levels are not anticipated to change significantly in the period.

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

Cost for year	2022 €'000	2021 €'000
Service cost	514	419
Interest cost	51	33
Actuarial (gain)/loss	(286)	(27)
	279	425

Actuarial (gain)/loss	2022 €'000	2021 €'000
Change due to experience	80	41
Change due to demographical assumptions	(89)	(9)
Change due to financial assumptions	(277)	(59)
	(286)	(27)

Assumptions Underlying the Actuarial Valuations and Sensitivities of the Assumptions

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

- Mortality probabilities were derived from the population demographics, as recorded by the government statistics offices in each jurisdiction.
- Disability, retirement age and other relevant demographic assumptions were taken from relevant life assurance statistics.
- Certain inputs were estimated by management, including:
  - Employee attrition rates, estimated based on company experience in each jurisdiction.
  - In Italy, TFR rules allow for early drawdown of benefits in certain circumstances. Such advances were estimated on the basis of company experience.

Economic and financial assumptions	2022	2021
Staff salary increase rate	4.87%	4.07%
Inflation rate	4.87%	3.04%
Discount rate	3.62%	1.67%

Key statistics	2022	2021
Staff (number)	945	874
Average age (years)	32	31
Average service (years)	4	4

Interest rate sensitivities	2022 €'000	2021 €'000
(0.25)%	2,987	3,176
0.25%	2,782	2,880

Mortality rate sensitivities	2022 €'000	2021 €'000
(0.025)%	2,876	3,018
0.025%	2,875	3,015

Staff turnover rate sensitivities	2022 €'000	2021 €'000
(0.50)%	2,886	3,049
0.50%	2,863	2,985

Staff salary increase rate sensitivities	2022 €'000	2021 €'000
(0.50)%	2,849	2,976
0.50%	2,916	3,072

21 Deferred Tax

Details of the deferred tax assets and liabilities, and amounts recognised in the Consolidated statement of comprehensive income are as follows:

	2022 €'000 Assets	2022 €'000 Liabilities	2022 €'000 Net	2022 €'000 (Credited)/charged to income statement
Defined benefit termination payments	308	124	184	144
Available losses	2,830	13	2,817	(1,000)
Rent-free period provisions	258	–	258	(36)
Fixed asset tax base versus accounting book value	1,092	1,983	(891)	1,007
Deferred tax related to tax credits	(2)	3,877	(3,879)	309
Deferred tax arising on items deductible on a paid basis	8,879	2,091	6,788	(2,992)
Recognition on acquisition of subsidiaries	15,393	13,341	2,052	–
Deferred tax arising on intangibles	11,293	4,482	6,811	(1,892)
Offset where legally enforceable right of set off exists	(17,294)	(17,294)	–	–
Net tax assets/liabilities	22,757	8,617	14,140	(4,460)
Impact of change in tax rates				13
Prior year (over)/under provision				(785)
Total (credited)/charged to income statement				(5,232)

	2021 €'000 Assets	2021 €'000 Liabilities	2021 €'000 Net	2021 €'000 (Credited)/charged to income statement
Defined benefit termination payments	328	–	328	(259)
Available losses	1,817	–	1,817	(660)
Rent-free period provisions	222	–	222	(147)
Fixed asset tax base versus accounting book value	1,818	1,702	116	(217)
Deferred tax related to tax credits	–	3,570	(3,570)	1,464
Deferred tax arising on items deductible on a paid basis	5,557	1,761	3,796	(1,857)
Recognition on acquisition of subsidiaries	2,539	3,006	(467)	–
Deferred tax arising on intangibles	9,187	3,801	5,386	(2,345)
Offset where legally enforceable right of set off exists	–	–	–	–
Net tax assets/liabilities	21,468	13,840	7,628	(4,021)
Impact of change in tax rates				189
Prior year (over)/under provision				75
Total (credited)/charged to income statement				(3,757)

The deferred tax asset not recognised on available losses at the period end is €3.8m (2021: €3.2m). Deferred tax assets and deferred tax liabilities are offset where a legally enforceable right to offset the recognised amounts exists, the deferred tax assets and deferred tax liabilities relate to taxes levied by the same taxation authority, and the Group anticipates they will be settled either at the same time, or on a net basis.

Notes forming part of the consolidated financial statements continued

22 Shareholders' Equity

Share Capital

	Issue date	Per share €	Number of ordinary £0.01 shares	Number of ordinary £0.01 shares – to be issued	Share capital €'000	Share capital – to be issued €'000	Share premium €'000	Merger reserve €'000
At 01 January 2021			74,079,243	532,985	879	13,047	22,951	250,276
Acquisition-related issuance of shares:								
High Voltage Software	12-Jan-21	26.06	307,597	(307,597)	4	(8,017)	–	8,013
Heavy Iron	12-Jan-21	31.84	–	12,914	–	411	–	–
Tantalus	18-Mar-21	27.87	–	368,750	–	10,275	–	–
Tantalus	15-Apr-21	27.87	368,750	(368,750)	4	(10,275)	10,271	–
Climax Studios	21-Apr-21	33.53	–	232,517	–	7,797	–	–
Climax Studios	17-May-21	33.53	232,517	(232,517)	3	(7,797)	–	7,794
Ichi	28-May-21	15.94	14,635	(14,635)	–	(233)	–	233
Coconut Lizard	25-Jun-21	18.24	19,739	(19,739)	–	(399)	–	399
Kantan	02-Jul-21	15.86	12,614	(12,614)	–	(200)	–	200
Kantan related adjustment	02-Jul-21	15.86	–	(2,683)	–	–	–	–
AMC	11-Aug-21	33.49	–	25,080	–	840	–	–
Maverick Media	27-Aug-21	25.35	36,211	(13,579)	–	(334)	–	918
Coconut Lizard	07-Sep-21	28.44	7,962	–	–	–	–	227
G-Net Media	06-Dec-21	23.26	130,410	(130,410)	2	(3,034)	–	3,032
G-Net Media related adjustment	06-Dec-21	23.26	–	(38)	–	(1)	–	–
Waste	16-Dec-21	30.78	–	20,585	–	634	–	–
Indigo Pearl	22-Dec-21	26.27	20,125	(20,125)	–	(529)	–	528
High Voltage Software	24-Dec-21	29.77	69,130	–	1	–	–	2,057
Acquisition-related issuance of shares			1,219,690	(462,841)	14	(10,862)	10,271	23,401
Employee Share Purchase Plan			13,982	–	–	–	398	–
Exercise of share options			962,860	–	11	–	4,929	–
At 31 December 2021			76,275,775	70,144	904	2,185	38,549	273,677
Acquisition-related issuance of shares:								
Waste	24-Jan-22	30.78	20,585	(20,585)	–	(634)	–	633
Heavy Iron	03-Feb-22	31.84	12,914	(12,914)	–	(411)	–	411
Heavy Iron related adjustment	03-Feb-22	31.84	53	–	–	–	–	–
Jinglebell	11-Mar-22	25.94	11,564	(11,564)	–	(300)	–	300
Tantalus Media	04-Jul-22	31.03	28,473	–	–	–	884	–
Forgotten Empires	28-Jul-22	28.41	–	60,857	–	1,729	–	–
Forgotten Empires	28-Jul-22	27.44	–	26,881	–	738	–	–
Mighty Games	03-Aug-22	28.74	–	28,443	–	817	–	–
Climax	08-Aug-22	28.71	135,559	–	2	–	–	3,889
AMC	31-Aug-22	33.49	25,081	(25,081)	–	(840)	–	840
Smoking Gun	05-Oct-22	25.78	–	107,025	–	2,759	–	–
Mighty Games	25-Oct-22	28.74	28,443	(28,443)	–	(817)	817	–
Smoking Gun	25-Oct-22	25.78	107,025	(107,025)	2	(2,759)	–	2,758
G-Net Media	25-Nov-22	33.56	114,038	–	2	–	–	4,147
Acquisition-related issuance of shares			483,735	17,594	6	282	1,701	12,978
Employee Share Purchase Plan			33,372	–	–	–	909	–
Exercise of share options			1,197,175	–	14	–	5,862	–
At 31 December 2022			77,990,057	87,738	924	2,467	47,021	286,655

Subject to applicable law, the Company's articles of association and any relevant authority of the Company passed by the shareholders in general meeting, there is no limit to the number of shares which the Company can issue, nor are there are any restrictions on dividends or distributions on such shares. In the context of the Company's general meeting authorities, at the Company's AGM on 20 May 2022 its shareholders gave the Directors the authority to allot the following number of shares (or grant rights to subscribe for, or convert any security into, shares) in the capital of the Company:

a) Up to 3,818,215 shares in respect of the Company's Long Term Incentive Plan and Share Option Plan (5% of the Company's issued share capital as at 4 April 2022); and

b) Otherwise, up to 25,454,768 shares (33.3% of the Company's issued share capital as at 4 April 2022).

This authority is considered prudent as it gives the Company flexibility to take advantage of possible opportunities which may arise from time to time. The authority granted at the 2022 AGM will expire on the earlier of (i) fifteen months after 20 May 2022; and (ii) the conclusion of the 2023 AGM.

Shares to be issued are valued at the share price at the date of acquisition, and are recorded in accordance with IAS 32.16.

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

	2022		2021	
	Shares	€'000	Shares	€'000
Ordinary shares held in the EBT	–	–	335,425	1,997

During the period all of the shares held in the EBT were utilised for the exercise of share options.

Reserves

The following describes the nature and purpose of each reserve within owners' 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-based payments reserve	The Share-based payments reserve is the credit arising on share-based payment charges in relation to the Company's share and 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 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 consideration for the acquisition of an entity and has secured at least a 90% equity holding in the acquisition, the value of the shares in excess of the nominal value (net of share issuance costs) is also recorded within this reserve, in line with S612 of the Companies Act 2006. Within Merger reserve are balances related to the share premium on the share placements in 2015 and 2020, of €14.4m and €109.5m respectively, both completed via a cash box structure, with the Company acquiring the net proceeds via a share-for-share exchange. In both cases, the share premium on the issuance of new shares was credited to Merger reserve (in accordance with S610 of the Companies Act 2006). At the time of the placements, the proceeds were not allocated to a specific acquisition or specific purpose, and thus, amounts totalling €123.9m included in the Merger reserve are considered distributable.

Notes forming part of the consolidated financial statements continued

23 Share Incentive Schemes

In July 2013, at the time of the IPO, a Share Option Scheme and a Long-Term Incentive Plan ("LTIP") was put in place, while in 2021, the Group introduced an Employee Share Purchase Plan. The charge in relation to these arrangements is as follows:

	2022 €'000	2021 €'000
Share option scheme expense	2,689	3,446
LTIP option scheme expense	15,888	12,904
Employee Share Purchase Plan	101	44
Share-based payments expense	18,678	16,394

Of the total Share-based payments expense, €1,142k relates to Directors of the Company (2021: €698k).

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:

	2022		2021	
	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	15.65	2,423,568	12.66	2,345,238
Granted	–	–	25.48	616,000
Lapsed	19.17	(133,323)	18.96	(163,791)
Exercised	7.88	(704,426)	11.46	(373,879)
Outstanding at the end of the period	18.78	1,585,819	15.68	2,423,568
Exercisable at the end of the period	15.19	481,319	6.74	668,734
Weighted average share price at date of exercise	23.57		27.42	

Summary by year

Year of Option	2015	2016	2017	2018	2019	2020	2021	2022	Total
Exercise price	£1.58	£2.54	£7.76	£17.10	£15.88	£15.93	£25.48	–	
Outstanding at the beginning of the period	385,295	20,577	57,000	244,924	452,750	698,022	565,000	–	2,423,568
Granted	–	–	–	–	–	–	–	–	–
Lapsed	(4,442)	–	–	(8,000)	(11,270)	(56,022)	(53,589)	–	(133,323)
Exercised	(380,853)	(6,238)	(15,450)	(85,405)	(120,830)	(95,650)	–	–	(704,426)
Outstanding at the end of the period	–	14,339	41,550	151,519	320,650	546,350	511,411	–	1,585,819
Exercisable at 31 December 2022	–	14,339	41,550	151,519	153,150	120,350	411	–	481,319
Exercisable 2023	–	–	–	–	167,500	213,000	170,333	–	550,833
Exercisable 2024	–	–	–	–	–	213,000	170,333	–	383,333
Exercisable 2025	–	–	–	–	–	–	170,334	–	170,334
Exercisable 2026	–	–	–	–	–	–	–	–	–

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

Year of Option	2015	2016	2017	2018	2019	2020	2021	2022	Weighted average
Weighted average share price (£)	£1.64	£2.54	£7.75	£17.22	£16.09	£16.00	£26.42	–	
Weighted average exercise price (£)	£1.58	£2.54	£7.76	£17.10	£15.88	£15.93	£25.48	–	
Fair value at measurement date (€)	€0.56	€0.40	€1.13	€3.79	€5.72	€6.06	€9.32	–	
Average expected life	4 Years	4 Years	4 Years	4 Years	4 Years	4 Years	4 Years	–	
Expected volatility	28.03%	27.17%	24.79%	35.87%	45.23%	50.15%	47.70%	–	
Risk-free rates	0.90%	0.58%	0.16%	0.89%	0.81%	0.07%	0.15%	–	
Average expected dividend yield	0.75%	0.55%	0.21%	0.10%	0.10%	0.10%	0.10%	–	
Weighted average remaining life of options in months	–	–	–	–	5	17	29	–	16

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

LTIP share awards are subject to KWS performance versus the designated share index over a three-year period.

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

	2022		2021	
	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	3,704,898	0.01	3,692,817
Granted	0.01	901,690	0.01	932,656
Lapsed	0.01	(130,241)	0.01	(312,006)
Exercised	0.01	(828,174)	0.01	(608,569)
Outstanding at the end of the period	0.01	3,648,173	0.01	3,704,898
Exercisable at the end of the period	0.01	741,212	0.01	559,506
Weighted average share price at date of exercise	24.73		27.62	

Summary by year

Year of Option	2015	2016	2017	2018	2019	2020	2021	2022	Total
Exercise price	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01	
Outstanding at the beginning of the period	39,000	85,888	105,036	329,582	1,018,536	1,223,200	903,656	–	3,704,898
Granted	–	–	–	–	–	–	–	901,690	901,690
Lapsed	–	–	–	–	(8,656)	(52,410)	(58,349)	(10,826)	(130,241)
Exercised	(39,000)	(64,200)	(60,293)	(143,582)	(521,099)	–	–	–	(828,174)
Outstanding at the end of the period	–	21,688	44,743	186,000	488,781	1,170,790	845,307	890,864	3,648,173
Exercisable at 31 December 2022	–	21,688	44,743	186,000	488,781	–	–	–	741,212
Exercisable 2023	–	–	–	–	–	1,170,790	–	–	1,170,790
Exercisable 2024	–	–	–	–	–	–	845,307	–	845,307
Exercisable 2025	–	–	–	–	–	–	–	890,864	890,864

Notes forming part of the consolidated financial statements continued

23 Share Incentive Schemes continued

The inputs into the Monte Carlo binomial model, used to value the options, are as follows:

Year of Option	2015	2016	2017	2018	2019	2020	2021	2022	Weighted average
Weighted average share price (£)	£1.60	£2.56	£7.75	£17.24	£16.05	£16.00	£26.42	£22.31	
Weighted average exercise price (£)	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01	
Fair value at measurement date (€)	€1.38	€1.74	€4.96	€11.83	€13.98	€13.28	€16.73	€15.70	
Average expected life	3 Years	3 Years	3 Years	3 Years	3 Years	3 Years	3 Years	3 Years	
Expected volatility	28.21%	27.11%	24.79%	35.87%	45.26%	50.15%	47.70%	41.22%	
Risk-free rates	0.88%	0.54%	0.16%	0.89%	0.81%	0.07%	0.13%	1.59%	
Weighted average remaining life of options in months	–	–	–	–	–	5	17	29	13

Expected volatility was determined by reference to KWS share price 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 reinvested into the business, the impact of dividends has been ignored in the calculation of the LTIP share option charge.

LTIPs vest on the third anniversary of the grant, if the market performance criteria are met. LTIPs must be exercised before the seventh anniversary of the grant.

Salary Shares

Conditional awards under the rules of the LTIP Plan ("Salary Shares"), are issued to certain employees and Directors, where the only vesting condition is continuous service.

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

	2022		2021	
	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	26,738	–	–
Granted	0.01	237,676	0.01	26,738
Lapsed	0.01	(953)	–	–
Vested	0.01	(3,838)	–	–
Outstanding at the end of the period	0.01	259,623	0.01	26,738

Summary by year

Year of Option	2021	2022	Total
Exercise price	£0.01	£0.01	
Outstanding at the beginning of the period	26,738	–	26,738
Granted	–	237,676	237,676
Lapsed	(953)	–	(953)
Vested	(1,638)	(2,200)	(3,838)
Outstanding at the end of the period	24,147	235,476	259,623
Vesting 2023	–	5,928	5,928
Vesting 2024	24,147	225,740	249,887
Vesting 2025	–	3,808	3,808

Details of the awards by year are as follows:

Year of Option	2021	2022	Weighted average
Weighted average share price (£)	£27.40	£22.41	
Weighted average exercise price (£)	£0.01	£0.01	
Fair value at measurement date (€)	€32.08	€26.47	
Average expected life	3 Years	2 Years	
Weighted average remaining life of options in months	20	17	17

24 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 rates. Management monitor interest rate fluctuations on a continuous basis and acts accordingly.

Where the Group has a significant amount of surplus cash, it invests 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.

As there were no drawdowns on the RCF in either period presented, any strengthening or weakening of interest rates would not have been impactful on the pre-tax profit/(loss) reported for the year.

Credit Risk

The Group's main financial assets are cash and cash equivalents, as well as trade and other receivables which represent the Group's maximum exposure to credit risk in connection with its financial assets.

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. Customer credit risk is managed at appropriate Group locations according to established policies, procedures and controls. Customer credit quality is assessed and credit limits are established where appropriate. Outstanding customer balances are regularly monitored and a review for indicators of impairment (evidence of financial difficulty of the customer, payment default, breach of contract, etc.) is carried out at each reporting date. Significant balances are reviewed individually while smaller balances are grouped and assessed collectively. Receivables balances are unsecured and non-interest-bearing.

Credit risk arises on trade receivables and accrued income from contracts with customers (reported within other receivables). Trade and other receivables are carried on the Consolidated statement of financial position net of provisions.

Trade Receivables

The trade receivables balances disclosed comprise a large number of customers spread across the Group's activities and geographies with balances classified as "Not past due" representing 73.0% of the total trade receivables balance at the balance sheet date (2021: 77.5%).

The ageing of trade receivables can be analysed as follows:

	Total €'000	Not past due €'000	1–2 months past due €'000	More than 2 months past due €'000
At 31 December 2022	81,563	59,532	16,803	5,228
At 31 December 2021	68,067	52,753	14,192	1,122

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

	2022 €'000	2021 €'000
Provision at the beginning of the year	1,768	1,982
Impairment of financial assets (trade receivables) charged to administration expenses	1,733	821
Foreign exchange movement in the year	79	63
Utilised	(131)	(1,098)
Provision at the end of the year	3,449	1,768

Notes forming part of the consolidated financial statements continued

24 Financial Instruments and Risk Management continued

Trade receivables loss allowance is estimated using a practical expedient to arrive at lifetime expected credit losses. Overdue receivables are evaluated to calculate an expected credit loss using a historical credit loss experience of 1.0% (2021: 1.0%). Taking into account internal and external information, the historical credit loss experience may be adjusted where it is determined that there has been a significant increase in credit risk. Where a receivable is credit impaired, the impairment is recognised immediately.

	Total €'000	Not past due €'000	1–2 months past due €'000	More than 2 months past due €'000
Trade receivables gross	85,012	60,134	17,175	7,703
Credit impaired	(2,598)	–	(200)	(2,398)
Expected credit losses	(851)	(602)	(172)	(77)
At 31 December 2022	81,563	59,532	16,803	5,228

	Total €'000	Not past due €'000	1–2 months past due €'000	More than 2 months past due €'000
Trade receivables gross	69,835	53,286	14,502	2,047
Credit impaired	(1,070)	–	(165)	(905)
Expected credit losses	(698)	(533)	(145)	(20)
At 31 December 2021	68,067	52,753	14,192	1,122

Accrued income from contracts with customers

Accrued income from contracts with customers balances comprise a large number of projects in process spread across the Group's activities and geographies, with balances classified as aged "0-30 days" representing 76.6% of the balance at the balance sheet date (2021: 74.1%).

The ageing of accrued income from contracts with customers can be analysed as follows:

	Total €'000	0–30 days €'000	31–60 days €'000	60+ days €'000
At 31 December 2022	13,220	10,124	3,096	–
At 31 December 2021	9,997	7,412	2,162	423

Accrued income from contracts with customers loss allowance is estimated using a practical expedient to arrive at lifetime expected credit losses using a historical credit loss experience of 1.0% (2021: 1.0%). Taking into account internal and external information, the historical credit loss experience may be adjusted where it is determined that there has been a significant increase in credit risk. Where a receivable is credit impaired, the impairment is recognised immediately.

	Total €'000	0–30 days €'000	31–60 days €'000	60+ days €'000
Accrued income from contracts with customers gross	16,652	10,227	3,897	2,528
Credit impaired	(3,265)	–	(762)	(2,503)
Expected credit losses	(167)	(103)	(39)	(25)
At 31 December 2022	13,220	10,124	3,096	–

	Total €'000	0–30 days €'000	31–60 days €'000	60+ days €'000
Accrued income from contracts with customers gross	12,582	7,487	2,663	2,432
Credit impaired	(2,459)	–	(474)	(1,985)
Expected credit losses	(126)	(75)	(27)	(24)
At 31 December 2021	9,997	7,412	2,162	423

Accrued income from contracts with customers represent mainly contract assets in process and related items. Excluding movements in the provision, the movement in the year comprises transfers in and out as items are accrued and subsequently invoiced to customers, with no significant amounts recognised on the acquisition of subsidiaries.

Related Party Receivables

There were no related party receivables at the end of either period presented.

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 in a currency other than the functional currency of the entity.

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 with 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.

The Group is predominantly exposed to currency risk on the balances held within working capital across the Group and the exposure is concentrated in the movement of the US dollar, sterling and Canadian dollar against the euro. The effect of a strengthening or weakening of 10% in those currencies against the euro at the reporting date on the working capital balances would, all other variables held constant, have resulted in the following pre-tax profit/(loss) impact for the year:

	2022 €'000	2022 €'000	2021 €'000	2021 €'000
	10% Strengthening	10% Weakening	10% Strengthening	10% Weakening
US dollar to euro	5,981	(4,894)	5,545	(4,536)
Sterling to euro	365	(299)	(1,333)	1,091
Canadian dollar to euro	591	(483)	169	(138)

Total Financial Assets and Liabilities

The carrying amount of the financial assets and liabilities shown in the Consolidated and Company Statements of financial position are stated at amortised costs, with the exception of contingent consideration held 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 Directors consider liquidity risk is mitigated by the strong working capital position, with €44.6m of current assets, including cash of €81.9m available to settle liabilities as they fall due.

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

	Carrying value	Contractual cash flows				
At 31 December 2022	Total €'000	Total €'000	Within 1 year €'000	1–2 years €'000	2–5 years €'000	Over 5 years €'000
Trade payables	15,878	15,878	15,878	–	–	–
Deferred and contingent consideration (i)	63,253	66,598	45,115	20,031	1,452	–
Other payables (ii)	94,410	106,410	94,410	7,000	5,000	–
Loans and borrowings	51	51	45	6	–	–
Loan interest	–	2	2	–	–	–
Lease liabilities	42,519	44,548	12,740	9,267	17,224	5,317
Total	216,111	233,487	168,190	36,304	23,676	5,317

Notes forming part of the consolidated financial statements continued

24 Financial Instruments and Risk Management continued

	Carrying value	Contractual cash flows				
At 31 December 2021	Total €'000	Total €'000	Within 1 year €'000	1–2 years €'000	2–5 years €'000	Over 5 years €'000
Trade payables	11,122	11,122	11,122	–	–	–
Deferred and contingent consideration (i)	54,142	61,223	37,953	14,008	9,262	–
Other payables (ii)	72,535	72,535	72,535	–	–	–
Loans and borrowings	129	129	81	48	–	–
Loan interest	–	6	4	2	–	–
Lease liabilities	37,635	40,358	12,059	8,257	13,042	7,000
Total	175,563	185,373	133,754	22,315	22,304	7,000

(i) Deferred and contingent consideration at 31 December 2022 has arisen on business combinations, and is based on contracted amounts to be paid in the future to sellers under share purchase agreements. In general, in order for contingent consideration to become payable, pre-defined profit and/or revenue targets must be exceeded. On an undiscounted basis, the Group may be liable for deferred and contingent consideration up to a maximum of €66.6m.

(ii) Other payables contractual cash flows include liabilities of €15.0m (2021: €8.0m), for Deferred and contingent consideration related to continuous employment at Helpshift and Waste, where the purchase agreement for those acquisitions included deferred consideration contingent on both pre-defined profit and/or revenue targets being exceeded and also tied to the retention of key staff, that are considered post-acquisition expenses under IFRS 3.

25 Capital Management

Group	2022 €'000	2021 €'000
Loans and borrowings (note 18)	51	129
Less: cash and cash equivalents	(81,886)	(105,710)
Net debt/(net cash) position	(81,835)	(105,581)
Total equity	557,091	472,120
Net debt/(net cash) to capital ratio	(14.7)%	(22.4)%

The Group manages capital by monitoring debt to capital and net debt ratios. This debt to capital ratio is calculated as net debt to total equity. Net debt is calculated as loans and borrowings (as shown in the Consolidated statement of financial position) less cash and cash equivalents. The liquidity risk and cash management for the Group is managed centrally by the Group Treasury function. Group Treasury manage bank balances centrally, and monitors the credit rating and stability of the institutions the Group banks with. The Board receives projections on a monthly basis as well as information regarding cash balances. The Group's strategy is to preserve a strong cash base and secure access to finance at reasonable cost by maintaining a good credit rating.

26 Related Parties and Shareholders

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

27 Business Combinations

	2022 €'000	2021 €'000
Details of goodwill and the fair value of net assets acquired		
Book value:		
Property, plant and equipment	422	572
Right of use assets	580	1,402
Trade and other receivables – gross	6,145	7,439
Bad debt provision	–	(7)
Cash and cash equivalents	5,401	10,618
Trade and other payables	(4,762)	(8,245)
Deferred income	(3,461)	–
Lease liabilities	(580)	(1,402)
Book value of identifiable assets and liabilities acquired	3,745	10,377
Fair value adjustments:		
Identifiable intangible assets – Customer relationships	34,695	11,502
Identifiable intangible assets – Intellectual property	25,914	–
Deferred tax assets	15,393	2,539
Deferred tax liabilities	(13,341)	(3,006)
Total fair value adjustments	62,661	11,035
Net assets acquired	66,406	21,412
Goodwill from current year acquisitions	70,482	97,918
Total purchase consideration	136,888	119,330
Details of purchase consideration and outflows from current acquisitions		
Cash	92,895	59,314
Deferred cash	8,993	1,565
Deferred consideration contingent on performance	28,957	33,726
Combination put/call options to acquire residual 15% of Tantalus	–	4,768
Shares to be issued	6,043	19,957
Total purchase consideration	136,888	119,330
Related acquisition costs charged to the Consolidated statement of comprehensive income:	1,177	1,099
Number of shares:		
Shares issued on acquisition	135,468	621,852
Fixed number of shares to be issued	87,738	37,994
Net cash outflow arising on acquisition:		
Cash paid in the period	92,895	59,314
Less: cash and cash equivalent balances transferred	(5,401)	(10,617)
Net cash outflow arising on acquisition	87,494	48,697
Details of pro forma revenues and profitability of current acquisitions		
Pre-acquisition revenue in H1	19,329	10,779
Pre-acquisition revenue in H2	12,070	5,566
Pre-acquisition revenue	31,399	16,345
Pre-acquisition revenue with Keywords Group	–	(1,908)
Post-acquisition revenue	9,106	24,990
Pro forma revenue	40,505	39,427

Notes forming part of the consolidated financial statements continued

27 Business Combinations continued

	2022 €'000	2021 €'000
Pre-acquisition profit before tax	1,601	2,573
Post-acquisition profit before tax	3,440	9,653
Pro forma profit before tax	5,041	12,226

Disclosures required by IFRS 3 Business Combinations are provided separately for those individual acquisitions that are considered to be material, and in aggregate for individually immaterial acquisitions. Acquisitions are considered individually material if the impact on the Group's Revenue and Adjusted Profit Before Tax measures (on an annualised basis) is greater than 5%*. None of the business combinations completed during the period were considered individually material and therefore warrant separate disclosure.

During the period, the Group completed five acquisitions, Forgotten Empires, Mighty Games, Smoking Gun, LabCom, and Helpshift, purchasing 100% of the share capital of these businesses. The aggregate amounts recognised in respect of the identifiable assets acquired and liabilities assumed on acquisitions completed in the period are set out in the table above. Details of the purchase consideration and other information relevant to the evaluation of the financial effect of the acquisitions are also presented.

Total purchase consideration of €136.9m includes amounts attributable to Forgotten Empires €35.0m, Mighty Games €6.5m, Smoking Gun €30.2m and Helpshift €63.0m, while Goodwill from current year acquisitions of €70.5m includes amounts related to Forgotten Empires €11.8m, Mighty Games €6.1m, Smoking Gun €22.4m, and Helpshift €29.3m. Identifiable intangible assets – Customer Relationships of €34.7m includes amounts attributable to Forgotten Empires €17.8m, Smoking Gun €9.1m and Helpshift €7.8m, while Identifiable intangible assets – Intellectual property of €25.9m is mainly attributable to Helpshift.

Total purchase consideration excludes €6.0m of Deferred and contingent consideration related to continuous employment at Helpshift, where the purchase agreement includes deferred consideration contingent on both pre-defined profit and/or revenue targets being exceeded and which is also tied to the retention of key staff, that are considered post-acquisition expenses under IFRS 3 (note 24).

The main factors leading to the recognition of goodwill on the acquisitions are the presence of certain intangible assets in the acquired entities, which are not valued for separate recognition. These include expertise in the acquired entities, enhancing and growing our service capabilities, broadening our service offering, and extending our geographical footprint, further building out our global platform.

The goodwill that arose from business combinations completed in the period that is expected to be deductible for tax purposes was €30.3m (for which a deferred tax asset has been recognised of €7.2m).

* The Group reports a number of alternative performance measures ("APMs") including Pro forma revenue and Adjusted Profit Before Tax, to present the financial performance of the business, that are not GAAP measures as defined under IFRS. A reconciliation of these measures to the relevant GAAP measures is presented in the APMs section.

28 Subsidiaries

The results and financial position of all the subsidiaries are included in the consolidated financial statements. Details of the Company's direct and indirect subsidiaries as at 31 December 2022 are set out below:

Name	Country of incorporation	Date of incorporation/ acquisition	Ownership^	Registered office
3455 Productions, LLC	USA	24-Nov-20	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA
9409-2954 Québec Inc.	Canada	04-Dec-19	100%	1751 Richardson, Suite 8400, Montreal, QC H3K 1G6, Canada
Alset Limited	UK	17-Aug-18	100%	110 High Holborn, London, WC1V 6JS, UK+
AMC RO Studios S.R.L	Romania	11-Aug-21	100%	Stirbei Voda 36, etaj 1, sector 1, Bucharest, Romania
Babel Media Limited *	UK	17-Feb-14	100%	110 High Holborn, London, WC1V 6JS, UK+
Babel Media USA, Inc.	USA	17-Feb-14	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA
Bitsy SG Limited	UK	17-Aug-18	100%	110 High Holborn, London, WC1V 6JS, UK+
Blindlight, LLC	USA	08-Jun-18	100%	1111 South Flower Street, Suite 101, Burbank, CA 91502,USA
Climax Development Limited	UK	22-Apr-21	100%	110 High Holborn, London, WC1V 6JS, UK+
Climax Studios Limited	UK	22-Apr-21	100%	110 High Holborn, London, WC1V 6JS, UK+
Coconut Lizard Limited	UK	25-Jun-20	100%	110 High Holborn, London, WC1V 6JS, UK+
Cord Worldwide Limited	UK	07-Apr-18	100%	110 High Holborn, London, WC1V 6JS, UK+
d3t Development Limited	UK	30-Aug-18	100%	110 High Holborn, London, WC1V 6JS, UK+
d3t Limited	UK	19-Oct-17	100%	110 High Holborn, London, WC1V 6JS, UK+

Name	Country of incorporation	Date of incorporation/ acquisition	Ownership^	Registered office
Descriptive Video Works Inc.	Canada	11-Jun-19	100%	400-725 Granville Street, PO Box 10325, Vancouver BC V7Y 1G5, Canada
Eastern New Media Limited	Hong Kong	19-May-17	100%	4404, 44/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Edugame Solutions Private Limited	India	09-Oct-14	100%	3rd floor, Vardhman Orchard Plaza, Plot No 4, LSC, West Enclave, Pitampura, New Delhi, 110034, India
Electric Square Limited	UK	17-Aug-18	100%	110 High Holborn, London, WC1V 6JS, UK+
Fire Without Smoke Inc	USA	29-May-18	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA
Fire Without Smoke Limited	UK	29-May-18	100%	110 High Holborn, London, WC1V 6JS, UK+
Forgotten Empires LLC	USA	28-Jul-22	100%	8730 Cincinnati Dayton Rd. #1072, West Chester, OH 45071, USA
Forgotten Software S.L.U	Spain	28-Jul-22	100%	nº 1 – La Cala Del Moral Rincon De La Victoria calle Murillo
GameSim Inc.	USA	16-May-17	100%	13501 Ingenuity Drive, Suite 310, Orlando, FL 32826, USA
g-Net Media, Inc.	USA	24-Nov-20	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA
Heavy Iron Studios, Inc	USA	12-Jan-21	100%	1600 Rosecrans Ave., Bldg 7 Ste 300, MBS Media Campus, Manhattan Beach CA, 90266, USA
Helpshift Inc	USA	15-Dec-22	100%	343 Sansome Street, Suite 500, San Francisco, California, 94104, USA
Helpshift Information Technology (Shanghai) Co. Ltd	China	15-Dec-22	100%	Southwest Area, 3rd Floor, No. 2123 Pudong Avenue, Shanghai, China
Helpshift Technologies Private Limited	India	15-Dec-22	100%	3rd floor, Vardhman Orchard Plaza, Plot No 4, LSC, West Enclave, Pitampura, New Delhi, 110034, India
Helpshift UK Ltd	UK	15-Dec-22	100%	New Penderel House 4th Floor, 283-288 High Holborn, London, WC1V 7HP, United Kingdom
High Voltage Software, Inc.	USA	14-Dec-20	100%	2345 Pembroke Ave., Hoffman Estates, IL 60169, USA
HVS Nola LLC	USA	14-Dec-20	100%	201 St. Charles Ave., Suite 2220, New Orleans, LA 70170, USA
Ichi Limited	UK	26-Nov-19	100%	110 High Holborn, London, WC1V 6JS, UK+
Indigo Pearl Limited	UK	15-Dec-20	100%	110 High Holborn, London, WC1V 6JS, UK+
Itsy SGD Limited	UK	17-Aug-18	100%	110 High Holborn, London, WC1V 6JS, UK+
Jinglebell S.r.l.	Italy	10-Dec-20	100%	Via Marco d'Oggiono 12, 20123, Milan, Italy
Jurango Pty Limited ~~	Australia	20-Dec-21	85%	29 Thornton Crescent, Mitcham, VIC 3132, Australia
Keywords (Shanghai) Information Technology Limited	China	02-Apr-15	100%	Room 701, Building 5, No.860 Dong Ti Yu Hui Road, Hongkou District, Shanghai, China
Keywords Asia Private Limited	Singapore	15-Mar-16	100%	20 Kallang Avenue, #06-6A, Lobby B, Pico Creative Centre, 339411, Singapore
Keywords Australia Holdings Limited	UK	17-Mar-21	100%	110 High Holborn, London, WC1V 6JS, UK+
Keywords Australia Pty Limited ~	Australia	18-Mar-21	85%	12 Spring Street, Fitzroy, Victoria, 3065, Australia
Keywords Canada Holdings Inc.	Canada	27-Oct-17	100%	1751 Richardson, Suite 8400, Montreal, QC H3K 1G6, Canada
Keywords do Brasil Localização e Tradução Ltda	Brazil	18-Jan-15	100%	Rua Professor Aprígio Gonzaga, 35 – 7º andar – São Judas – São Paulo – SP CEP: 04303-000, Brazil
Keywords Germany Holdings GmbH	Germany	06-Sep-19	100%	Moriz-Seeler-Strasse 5-7, Franz Ehrlich Haus, 12489, Berlin, Germany
Keywords International Co., Limited.	Japan	30-Nov-10	100%	1-22-19 Izumi, Suginami-ku, Tokyo, 168-0063 Japan
Keywords International Limited *	Ireland	13-May-98	100%	Whelan House, South County Business Park, Leopardstown, Dublin 18, D18 T9P8, Ireland
Keywords International Pte. Limited	Singapore	24-Apr-14	100%	20 Kallang Avenue, #06-6A, Lobby B, Pico Creative Centre, 339411, Singapore
Keywords International, Inc.	USA	26-Sep-12	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA
Keywords Sperasoft LLC	Armenia	07-Apr-22	100%	18/1 Vardanants str., 3rd floor, Yerevan 0010, Armenia

Notes forming part of the consolidated financial statements continued

28 Subsidiaries continued

Name	Country of incorporation	Date of incorporation/ acquisition	Ownership^	Registered office
Keywords Studios B.C., Inc.	Canada	27-Oct-17	100%	1700-1075 West Georgia Street, Vancouver, BC, V6E 3C, Canada
Keywords Studios d.o.o. Beograd	Serbia	18-May-22	100%	Belgrade, BULEVAR MIHAJLA PUPINA 10L, floor 9, Belgrade-New Belgrade, NEW BELGRADE, 11070, Serbia
Keywords Studios France SAS	France	08-Jun-16	100%	59 Boulevard Exelmans, 75016 Paris, France
Keywords Studios India Private Limited	India	17-Feb-14	100%	3rd floor, Vardhman Orchard Plaza, Plot No 4, LSC, West Enclave, Pitampura, New Delhi, 110034, India
Keywords Studios Italy S.R.L.	Italy	08-May-14	100%	Via Egadi 2, Milan, MI, 20144, Italy
Keywords Studios Korea Corporation	South Korea	11-Jan-21	100%	16th Floor, Gangnam Building, 1321-1, Seocho-dong, Seocho-gu, Seoul 137-070, South Korea
Keywords Studios Los Angeles, Inc.	USA	08-May-14	100%	1115 Flower Street, Burbank, CA 91502, USA
Keywords Studios Malta Limited	Malta	04-May-22	100%	Level 3, Valletta Buildings, South Street, Valletta VLT 1103, Malta
Keywords Studios México, S. de R.L. de C.V.	Mexico	16-Jul-15	100%	Torrente #75, Colonia Ampliación Alpes, Del. Álvaro Obregón, CP. 01710, Ciudad de México, México
Keywords Studios Netherlands B.V.	Netherlands	05-Feb-19	100%	Wilhelmina van Pruisenweg 35, 2595AN The Hague, The Netherlands
Keywords Studios Poland Spolka z.o.o.	Poland	04-Feb-21	100%	11 Ul. Na Zjezdzie, Krakow 30-527, Poland
Keywords Studios QC-Games Inc.	Canada	17-Feb-14	100%	1751 Richardson, Suite 8400, Montreal, QC H3K 1G6, Canada
Keywords Studios QC-Interactive Inc.	Canada	16-Nov-16	100%	1751 Richardson, Suite 8400, Montreal, QC H3K 1G6, Canada
Keywords Studios QC-Tech Inc.	Canada	06-Jan-15	100%	1751 Richardson, Suite 8400, Montreal, QC H3K 1G6, Canada
Keywords Studios Romania S.R.L.	Romania	15-Jun-21	100%	6-8 Corneliu Coposu Bvd., Unirii View Building, office 103, 1st floor, 3rd district, Bucharest, Romania
Keywords Studios Spain SLU	Spain	16-Jul-15	100%	Julián Camarillo 6A, 3B, 28037 Madrid, Spain
Keywords Studios Texas, LLC	USA	22-Jan-20	100%	7800 Shoal Creek Blvd. Suite 240S, Austin, Texas 78757, USA
Keywords Studios Unlimited Company*	Ireland	27-Mar-18	100%	Whelan House, South County Business Park, Leopardstown, Dublin 18, D18 T9P8, Ireland
Keywords Studios US Inc	USA	24-Oct-17	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA
Keywords Treasury Holdings Limited	Ireland	30-Nov-22	100%	Whelan House, South County Business Park, Leopardstown, Dublin 18, D18 T9P8, Ireland
Keywords UK Holdings Limited	UK	28-Mar-18	100%	110 High Holborn, London, WC1V 6JS, UK[+]
Keywords US Holdings Inc.	USA	23-Oct-17	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA
Keywords Ventures Limited	UK	06-Apr-18	100%	110 High Holborn, London, WC1V 6JS, UK[+]
Laboratorio Comunicazione S.r.l.	Italy	04-Nov-22	100%	Via Lazzaro Spallanzani 6, 20129 Milan, Italy
Laced Music Limited	UK	07-Apr-18	100%	110 High Holborn, London, WC1V 6JS, UK[+]
Laced Publishing Limited	UK	07-Apr-18	100%	110 High Holborn, London, WC1V 6JS, UK[+]
Lakshya Digital Private Limited *	India	09-Oct-14	100%	3rd floor, Vardhman Orchard Plaza, Plot No 4, LSC, West Enclave, Pitampura, New Delhi, 110034, India
Lakshya Digital Singapore Pte. Limited	Singapore	09-Oct-14	100%	20 Kallang Avenue, #06-6A, Lobby B, Pico Creative Centre, 339411, Singapore
Liquid Development, LLC	USA	19-Aug-15	100%	411 SW 2nd Ave Ste 300, Portland, OR 97204, USA
Liquid Violet Limited *	UK	15-Jan-14	100%	110 High Holborn, London, WC1V 6JS, UK[+]
Lonsdale Miller Limited	UK	15-Dec-20	100%	110 High Holborn, London, WC1V 6JS, UK[+]
Maverick Media Limited	UK	27-Aug-20	100%	110 High Holborn, London, WC1V 6JS, UK[+]
Mighty Developments Pty Limited [~~]	Australia	03-Aug-22	85%	29 Thornton Crescent, Mitcham, VIC 3132, Australia
Mighty Games Group Pty Limited [~~]	Australia	03-Aug-22	85%	29 Thornton Crescent, Mitcham, VIC 3132, Australia
Mighty Games Productions Pty Limited [~~]	Australia	03-Aug-22	85%	29 Thornton Crescent, Mitcham, VIC 3132, Australia
Player Research Limited	UK	26-Oct-16	100%	110 High Holborn, London, WC1V 6JS, UK[+]

Name	Country of incorporation	Date of incorporation/ acquisition	Ownership^	Registered office
PT Limitless Indonesia	Indonesia	19-May-17	100%	Jl. Timoho II, No. 32, Muja Muju, Kota Yogyakarta, Indonesia
Smoking Gun Interactive Inc	Canada	05-Oct-22	100%	1100-333 Seymour St, Vancouver, BC V6B 5A6, Canada
Snowed In Studios, Inc	Canada	19-Jul-18	100%	400-981 Wellington Street West, Ottawa, Ontario, K1Y 2Y1, Canada
Sperasoft Poland Spólka z.o.o.	Poland	13-Dec-17	100%	Kraj Polska, woj. Małopolskie, powiat Kraków, miejsc. Kraków, ul. Na Kozłóce 27 30-664 Kraków, Poland
Sperasoft Studios LLC	Russia	13-Dec-17	100%	196084, Russia, Saint-Petersburg, Kievskaya Street, 5 - building 4
Sperasoft, Inc.	USA	13-Dec-17	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA
SperaSystems LLC	USA	13-Dec-17	100%	2033 Gateway Pl Ste 500 San Jose, CA 95110-3712, USA
SPOV Limited	UK	16-Feb-17	100%	110 High Holborn, London, WC1V 6JS, UK+
Strongbox Limited	Seychelles	19-May-17	100%	306 Victoria House, Victoria, Mahe, Seychelles
Studio Gobo Limited	UK	17-Aug-18	100%	110 High Holborn, London, WC1V 6JS, UK+
Sunny Side Up Creative Inc.	Canada	03-Jan-19	100%	410 Boulevard Charest Est, Suite 410, Québec, Québec, G1K 8G3, Canada
Synthesis Deutschland GmbH *	Germany	12-Apr-16	100%	Holstenkamp 46 A, Bahrenfeld, 22525 Hamburg, Germany
Synthesis Global Solutions SA *	Switzerland	12-Apr-16	100%	Corso Elvezia 16, 6900 Lugano, Ticino, Switzerland
Tantalus Media Pty Limited ~	Australia	18-Mar-21	85%	12 Spring Street, Fitzroy, Victoria, 3065, Australia
The Trailerfarm Limited	UK	13-Sep-18	100%	110 High Holborn, London, WC1V 6JS, UK+
TV+SYNCHRON Berlin GmbH	Germany	01-Oct-19	100%	Moriz-Seeler-Strasse 5-7, Franz Ehrlich Haus, 12489, Berlin, Germany
Waste Creative Limited	UK	16-Dec-21	100%	110 High Holborn, London, WC1V 6JS, UK+
Waste Holdings Limited	UK	16-Dec-21	100%	110 High Holborn, London, WC1V 6JS, UK+
Wicked Witch Software Pty Limited ~~	Australia	20-Dec-21	85%	29 Thornton Crescent, Mitcham, VIC 3132, Australia
Wizcorp Inc.	Japan	18-Apr-19	100%	1-22-19 Izumi, Suginami-ku, Tokyo, 168-0063 Japan
Xcelerator Machine Translations Limited	Ireland	12-Dec-19	100%	Invent, Dublin City University, Glasnevin, Dublin 9, Ireland
Xloc, Inc.	USA	08-May-17	100%	8801 Fast Park Drive, Suite 301, Raleigh, NC 27617, USA

* Indicates a direct subsidiary (all other holdings are indirect, being subsidiaries of various intermediate group holding companies).

^ Proportion of voting rights and ordinary share capital ultimately held by Keywords Group.

\+ The registered office address was changed on 1 February 2023.

~ A combination of put and call options are in place requiring the sellers to sell, or the Group to buy the remaining 15% shareholding three years from acquisition. The Group has accounted for the acquisition as if a 100% interest was acquired on acquisition (see note 3).

~~ Wholly owned subsidiary of Keywords Australia Pty Limited. The Group has accounted for the company as if a 100% interest was held (see note 3).

Post-acquisition, the Group reviews entities to streamline activities and close any dormant entities acquired or re-structured entities. Restructuring details are set out below:

Name	Country of incorporation	Date of incorporation/ acquisition	Ownership	Date of re-structuring	Re-structuring details
AppSecTest Limited	UK	22-Jan-19	49%	13-Apr-22	Dissolved
Ichi Creative Limited	USA	26-Nov-19	100%	15-Dec-20	Dissolved

Notes forming part of the consolidated financial statements continued

29 Significant Events and Events after the Reporting Date

Crisis in Ukraine

In 2022, the Group's operations have been impacted by the tragic events in Ukraine. Whilst the Group do not have operations in Ukraine, the Group does have Game Development teams in Russia, and also works with a number of freelance suppliers in Ukraine. Our priority has been to support our people and our freelance suppliers in the territory, whilst contributing to the wider humanitarian efforts in the region.

In the period, the Group produced €26.3m of Revenue in Russia, down from €29.4m in 2021, and represents approximately 3.8% of Group revenue, down from 5.7% in 2021. During the period, a significant number of projects supported in Russia have been transferred to other parts of the Group, as we ramp up production capacity in these locations with a combination of employees relocating from Russia and local hires. As a consequence, revenues produced in Russia were approximately 1.7% of Group revenue in December 2022.

We continue to work with our customers supporting their preferences for where their work should be performed. We also remain focused on mitigating any potential business interruption or other risks associated with our activities in Russia. As a consequence, we expect the volume of work produced in Russia to continue to reduce over time.

The Group does not have significant receivables exposure in Russia, as work produced in Russia is contracted and collected in other territories. In addition, the Group does not have significant amounts of net current assets or non-current assets located in Russia. Thus any exposure to impairment of assets located in Russia is not considered material.

As a consequence of the crisis, an additional impairment assessment was performed in the Game Development CGU, to evaluate any potential Goodwill impairment resulting from the crisis. The result of the value in use calculations was that no impairment would be required even in a worst-case scenario where the contribution from all Russian-located production capacity was excluded from projections, assuming no further work is able to be transferred to other parts of the Group.

Acquisition of 47

On 1 February 2023, the Group announced the acquisition of 47 Communications LLC ("47"), a leading US-based PR and communications agency with expertise in the video game, technology, entertainment and digital lifestyle sectors. For the twelve months to 30 September 2022, 47 generated revenues of approximately USD $11 million. The consideration payable for the Company is in line with Keywords' targeted valuation range. The terms of the transaction include contingent consideration payable in a mix of cash and new ordinary shares depending on the future performance of the Company over the three years from completion. The new ordinary shares to be issued will be subject to orderly market provisions for a year.

Company statement of financial position

	Note	At 31 December 2022 €'000	2021 €'000
Non-current assets			
Right of use assets	36	5,071	206
Property, plant and equipment	37	446	308
Deferred tax assets		454	657
Investment in subsidiaries	38	30,287	30,175
Other receivables	39	385,066	335,511
		421,324	366,857
Current assets			
Cash and cash equivalents		46	17,043
Other receivables	39	15,481	7,468
		15,527	24,511
Current liabilities			
Trade payables		430	1,127
Other payables	40	10,958	19,651
Lease liabilities	41	1,030	216
		12,418	20,994
Net current assets/(liabilities)		3,109	3,517
Non-current liabilities			
Other payables	40	–	3,660
Lease liabilities	41	4,081	–
		4,081	3,660
Net assets		420,352	366,714
Equity			
Share capital	22	924	904
Share capital – to be issued	22	2,467	2,185
Share premium	22	47,021	38,549
Merger reserve		292,336	279,358
Shares held in Employee Benefit Trust ("EBT")	22	–	(1,997)
Share-based payments reserve		65,379	48,193
Retained earnings		12,225	(478)
Total equity		420,352	366,714

In accordance with the 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 after tax dealt with in the parent undertaking is €14,682k (2021: profit of €6,404k).

The notes from page 160 onwards form an integral part of these Company financial statements. The financial statements were approved and authorised for issue by the Board on 15 March 2023.

On behalf of the Board

Bertrand Bodson
Director
15 March 2023

Jon Hauck
Director

Company statement of changes in equity

	Share capital €'000	Share capital – to be issued €'000	Share premium €'000	Merger reserve €'000	Shares held in EBT €'000	Share-based payments reserve €'000	Retained earnings €'000	Total equity €'000
At 01 January 2021	879	13,047	22,951	255,957	(1,997)	31,799	(6,267)	316,369
Profit/(loss) for the period	–	–	–	–	–	–	6,404	6,404
Total comprehensive income for the period	–	–	–	–	–	–	6,404	6,404
Contributions by and contributions to the owners:								
Share-based payments expense	–	–	–	–	–	16,394	–	16,394
Share options exercised	11	–	4,929	–	–	–	–	4,940
Employee Share Purchase Plan	–	–	398	–	–	–	–	398
Dividends	–	–	–	–	–	–	(615)	(615)
Acquisition-related issuance of shares	14	(10,862)	10,271	23,401	–	–	–	22,824
Contributions by and contributions to the owners	25	(10,862)	15,598	23,401	–	16,394	(615)	43,941
At 31 December 2021	904	2,185	38,549	279,358	(1,997)	48,193	(478)	366,714
Profit/(loss) for the period	–	–	–	–	–	–	14,682	14,682
Total comprehensive income for the period	–	–	–	–	–	–	14,682	14,682
Contributions by and contributions to the owners:								
Share-based payments expense	–	–	–	–	–	18,577	–	18,577
Share options exercised	14	–	5,862	–	1,997	(1,492)	–	6,381
Employee Share Purchase Plan	–	–	909	–	–	101	–	1,010
Dividends	–	–	–	–	–	–	(1,979)	(1,979)
Acquisition-related issuance of shares	6	282	1,701	12,978	–	–	–	14,967
Contributions by and contributions to the owners	20	282	8,472	12,978	1,997	17,186	(1,979)	38,956
At 31 December 2022	924	2,467	47,021	292,336	–	65,379	12,225	420,352

Company statement of cash flows

	Note	Years ended 31 December 2022 €'000	2021 €'000
Cash flows from operating activities			
Profit/(loss) after tax		14,682	6,404
Income and expenses not affecting operating cash flows			
Share-based payments expense, net of amounts recharged to subsidiary companies		3,838	4,099
Taxation		203	–
Interest expense		1,249	935
Depreciation – property, plant and equipment	37	304	54
Depreciation – right of use assets	36	510	204
Amounts written off financial assets		–	(126)
Unrealised foreign exchange (gain)/loss		(39)	34
		6,065	5,200
Changes in operating assets and liabilities			
(Increase)/decrease in other receivables		78,075	25,123
Increase/(decrease) in trade and other payables		(12,825)	14,232
		65,250	39,355
Taxation paid		–	–
Net cash generated by/(used in) operating activities		85,997	50,959
Cash flows from investing activities			
Funding advanced to subsidiaries		(105,815)	(64,200)
Current year acquisition of subsidiaries net of cash acquired		–	(3,124)
Acquisition of property, plant and equipment	37	(442)	(45)
Net cash generated by/(used in) investing activities		(106,257)	(67,369)
Cash flows from financing activities			
Cash proceeds, where EBT shares were utilised for the exercise of share options		505	–
Payments of principal on lease liability		(478)	(206)
Interest paid on principal of lease liability		(33)	(7)
Dividends paid	9	(1,979)	(615)
Shares issued for cash	22	6,785	5,338
Interest paid		(1,537)	(1,753)
Net cash generated by/(used in) financing activities		3,263	2,757
Increase/(decrease) in cash and cash equivalents		(16,997)	(13,653)
Cash and cash equivalents at beginning of the period		17,043	30,696
Cash and cash equivalents at end of the period		46	17,043

Notes forming part of the Company financial statements

30 Basis of Preparation

The Company financial statements have been prepared in accordance with UK-adopted international accounting standards, and in conformity with the requirements of the Companies Act 2006.

Unless otherwise stated, the financial statements have been prepared in thousands ('000) and the financial statements are presented in euro (€).

Please refer to the Group financial statements for additional information concerning the basis of preparation. References in the Company financial statements to notes numbered earlier than note 30, refer directly to specific notes in the Group financial statements.

31 Significant Accounting Policies

Intercompany Receivables

Intercompany receivables are recognised at amortised cost as they meet the IFRS 9 classification test of being held to collect, and the cash flow characteristics represent solely payments of principal and interest.

The Company applies the general approach to applying the expected credit losses to its related party loans. Under the General Approach, at each reporting date, the Company determines whether there has been a Significant Increase in Credit Risk ("SICR") since initial recognition and whether any balances are credit impaired. This determines the amount, if any, of expected credit losses to be recognised.

Other Significant Accounting Policies

The Company applies consistent accounting policies to those applied by the Group. Please refer to the Group financial statements for disclosure of other relevant accounting policies.

32 Critical Accounting Estimates and Judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Judgements

The judgements, apart from those involving estimations, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the Company financial statements, are outlined below.

- **Company**
  - **Expected Credit Loss Provision on Company Receivables from Subsidiaries:** As outlined in note 39, the Company has significant receivables from subsidiaries, primarily related to investments in acquisitions. The Directors have taken into account both the ongoing acquisition integration programme and the cash-generating capacity of the Group, in concluding (in note 43) that all such loans are recoverable and the expected credit loss provisions are adequate.
  - **Other Judgements:** The Company applies consistent judgements to those applied by the Group. To the extent that judgements are relevant to both Group and Company financial statements, please refer to the Group financial statements for other relevant judgements.

33 Auditor Statutory Disclosure

The audit fee for the Company is outlined in note 5 of the Group financial statements.

34 Dividends and Distributable Reserves

Details of dividends and distributable reserves of the Company are presented in note 9 of the Group financial statements.

35 Staff Costs

Total staff costs (including Directors)	2022 €'000	2021 €'000
Salaries and related costs	8,492	5,221
Social welfare costs	1,925	525
Pension costs	275	88
Share-based payments expense	18,678	16,394
	29,370	22,228

Average number of employees	2022	2021
Operations	7	3
General and administration	53	34
	60	37

36 Right of Use Assets

The Company has entered into leases, principally relating to property.

	2022 €'000	2021 €'000
Cost		
At 01 January	835	781
Additions	5,592	–
De-recognition of expired leases	(825)	–
Exchange rate movement	(237)	54
At 31 December	5,365	835
Accumulated depreciation		
At 01 January	629	392
Depreciation charge	510	204
De-recognition of expired leases	(825)	–
Exchange rate movement	(20)	33
At 31 December	294	629
Net book value		
At 01 January	206	389
At 31 December	5,071	206

Notes forming part of the Company financial statements continued

37 Property, Plant and Equipment

	Computers and software €'000	Office furniture and equipment €'000	Leasehold improvements €'000	Total €'000
Cost				
At 01 January 2021	12	145	280	437
Additions	45	–	–	45
At 31 December 2021	57	145	280	482
Additions	211	21	210	442
At 31 December 2022	268	166	490	924
Accumulated depreciation				
At 01 January 2021	5	38	77	120
Depreciation charge	9	15	30	54
At 31 December 2021	14	53	107	174
Depreciation charge	38	94	172	304
At 31 December 2022	52	147	279	478
Net book value				
At 01 January 2022	43	92	173	308
At 31 December 2022	216	19	211	446

38 Investment in Subsidiaries

	2022 €'000	2021 €'000
	30,287	30,175

Details of the Company's direct and indirect subsidiaries as at 31 December 2022 are set out in note 28 of the Group financial statements.

39 Other Receivables

Current	2022 €'000	2021 €'000
Intercompany receivables (financial assets held at amortised cost, see note 44)	12,682	5,099
Prepayments	2,163	1,702
Other receivables	459	478
Tax and social security	177	189
	15,481	7,468

Non-current	2022 €'000	2021 €'000
Intercompany receivables (financial assets held at amortised cost, see note 44)	385,066	335,511
	385,066	335,511

40 Other Payables

Current	2022 €'000	2021 €'000
Accrued expenses	3,226	1,915
Payroll taxes	–	164
Other payables	158	253
Intercompany payables	7,574	17,319
	10,958	19,651

Non-current	2022 €'000	2021 €'000
Intercompany payables	–	3,660
	–	3,660

41 Lease Liabilities

The Company has entered into leases principally relating to property. Management applies judgement in determining whether it is reasonably certain that a renewal or termination option will be exercised.

The movement in lease liabilities during the financial year was as follows:

	2022 €'000	2021 €'000
Carrying amount at the beginning of the year	216	399
Liabilities recognised on new leases in the period	5,591	–
Unwinding of discounted liabilities – lease liabilities	33	7
Payment of principal and interest on lease liabilities	(511)	(213)
Exchange rate movement	(218)	23
Carrying amount at the end of the year	5,111	216

Maturity analysis of lease liabilities	2022 €'000 Lease payments	2022 €'000 Finance charges	2022 €'000 Lease liabilities	2021 €'000 Lease payments	2021 €'000 Finance charges	2021 €'000 Lease liabilities
Current						
Not later than one year	1,133	103	1,030	218	2	216
Non-current						
Later than one year and not later than five years	4,248	167	4,081	–	–	–
Later than five years	–	–	–	–	–	–
	4,248	167	4,081	–	–	–
At 31 December	5,381	270	5,111	218	2	216

42 Loans and Borrowings

Loans and borrowings (classified as financial liabilities under IFRS 9), are held at amortised cost. Details of the Company's credit facilities are outlined in note 18 of the Group financial statements. There were no drawdowns on the RCF during 2022.

Notes forming part of the Company financial statements continued

43 Risk Management

A description of the Group's financial risk management objectives and policies is provided in note 24 to the Group financial statements. These financial risk management objectives and policies also apply to the Company.

Credit Risk

As presented in note 39, receivables from subsidiaries relating to investments in acquisitions comprise term loans extended to subsidiaries, while receivables from subsidiaries relating to trading activities comprise trading balances repayable on demand. Balances are analysed in terms of the risk profile of the subsidiary.

The Directors have assessed the ongoing expected recovery strategy of loans due from subsidiaries of €385.1m (2021: €335.5m), within Stage 1 of the IFRS 9 impairment assessment model. Having noted that such loans are within their repayment terms, the Directors have concluded that no provision for expected credit losses is required (2021: €nil).

Separately, the Company has balances of €12.7m (2021: €5.1m), which are technically repayable upon demand. These loans are within Stage 3 of the IFRS 9 impairment assessment model. The Directors have reviewed in detail the recovery strategy in relation to these loans and concluded that none are credit-impaired, and therefore no expected credit loss has been recognised in relation to these balances (2021: €nil).

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

	Carrying value	Contractual cash flows				
At 31 December 2022	Total €'000	Total €'000	Within 1 year €'000	1–2 years €'000	2–5 years €'000	Over 5 years €'000
Trade payables	430	430	430	–	–	–
Other payables	10,958	10,958	10,958	–	–	–
Lease liability	5,111	5,381	1,133	1,133	3,115	–
Total	16,499	16,769	12,521	1,133	3,115	–

	Carrying value	Contractual cash flows				
At 31 December 2021	Total €'000	Total €'000	Within 1 year €'000	1–2 years €'000	2–5 years €'000	Over 5 years €'000
Trade payables	1,127	1,127	1,127	–	–	–
Other payables	23,311	23,311	23,311	–	–	–
Lease liability	216	218	218	–	–	–
Total	24,654	24,656	24,656	–	–	–

44 Related Parties

As at 31 December 2022 and 2021, the Company had amounts receivable from its subsidiaries as follows:

	2022 €'000	2021 €'000
Receivables from subsidiaries related to investment in acquisitions	385,066	335,511
Receivables from subsidiaries relating to trading activities	12,682	5,099
	397,748	340,610

	2022 €'000	2021 €'000
Non-current (note 39)	385,066	335,511
Current (note 39)	12,682	5,099
	397,748	340,610

Alternative performance measures

The Group reports a number of alternative performance measures ("APMs") to present the financial performance of the business, that are not GAAP measures as defined under IFRS. The Directors believe that these measures, in conjunction with the IFRS financial information, provide the users of the financial statements with additional information to provide a more meaningful understanding of the underlying financial and operating performance of the Group. The measures are also used in the Group's internal strategic planning and budgeting processes and for setting internal management targets. These measures can have limitations as analytical tools and therefore should not be considered in isolation, or as a substitute for IFRS measures.

The principal measures used by the Group are set out below:

Organic revenue growth – Acquisitions are a core part of the Group's growth strategy. Organic revenue growth measures are used to help understand the underlying trading performance of the Group excluding the impact of acquisitions. Organic revenue growth is calculated by adjusting the prior year revenues, adding pre-acquisition revenues for the corresponding period of ownership to provide a like-for-like comparison with the current year, and applying the prior year's foreign exchange rates to both years, when translating studio results into the euro reporting currency.

Constant exchange rates ("CER") – Given the international nature of the Group's operations, foreign exchange movements can have an impact on the reported results of the Group when they are translated into the Group's reporting currency, the euro. In order to understand the underlying trading performance of the business, revenue is also presented using rates consistent with the prior year in order to provide year-over-year comparability.

Adjusted profit and earnings per share measures – Adjusted profit and earnings per share measures are used to provide management and other users of the financial statements with a clear understanding of the underlying profitability of the business over time. Adjusted profit measures are calculated by adding the following items back to the equivalent GAAP profit measures:

- Amortisation of intangible assets – Customer relationships and music licence amortisation commences on acquisition, whereas intellectual property/development costs amortisation commences when the product is launched. These costs, by their nature, can vary by size and amount each year. As a result, amortisation of intangibles is added back to assist with the understanding of the underlying trading performance of the business and to allow comparability across regions and categories.
- Costs of acquisition and integration – The level of acquisition activity can vary each year and therefore the costs associated with acquiring and integrating businesses are added back to assist with the understanding of the underlying trading performance of the Group.
- Share-based payments – The Group uses share-based payments as part of remuneration to align the interests of senior management and employees with shareholders. These are non-cash charges and the charge is based on the Group's share price which can change. The costs are therefore added back to assist with the understanding of the underlying trading performance.
- Foreign exchange gains and losses – The Group does not hedge foreign currency translation exposures. The effect on the Group's results of movements in exchange rates can vary each year and are therefore added back to assist with understanding the underlying trading performance of the business.
- Other income – Other income comprises gains on investments or other non-trading income. As the gains have arisen outside the normal trading activities of the Group, the income has been added back to assist with the understanding of the underlying trading performance.

Free cash flow measures – The Group aims to generate sustainable cash flow (free cash flow) in order to support its acquisition programme and to fund dividend payments to shareholders. Free cash flow is measured as net cash generated by/(used in) operating activities after capital expenditure, non-cash movements in deferred and contingent consideration related to continuous employment, payments of principal on lease liabilities, interest and tax payments, but before acquisition and integration cash outlay, other income and dividend payments. Adjusted free cash flow is a measure of cash flow adjusting for capital expenditure that is supporting growth in future periods (represented by capital expenditure in excess of depreciation).

Net debt – The Group manages capital by monitoring debt to capital and net debt ratios. Net debt is calculated as loans and borrowings less cash and cash equivalents, and excludes lease liabilities. The debt to capital ratio is calculated as net debt as a percentage of total equity.

The remainder of this section provides a reconciliation of the APMs with the relevant IFRS GAAP equivalent.

Alternative performance measures continued

Service line analysis*

The following table presents revenue growth by service line at both actual exchange rates ("AER") and constant exchange rates ("CER"). Constant exchange rates are calculated by retranslating current-year reported numbers at the corresponding 2021 foreign exchange rates, in order to give management and other users of the financial statements better visibility of underlying trading performance against the prior year.

	2022 Revenue AER €m	2022 Revenue CER €m	2021 Revenue AER €m	2022 Growth AER %	2022 Growth CER %
Create	275.5	255.9	188.2	46.4%	36.0%
Globalize	300.9	286.2	231.9	29.8%	23.4%
Engage	114.3	108.9	92.1	24.1%	18.2%
	690.7	651.0	512.2	34.8%	27.1%

* The prior year comparatives have been reclassified to present information by service line in alignment with the new organisational and reporting structures (see note 3).

Pro forma revenue

Pro forma revenue is calculated by adding pre-acquisition revenues of current-year acquisitions to the current-year revenue numbers, to illustrate the size of the Group had the acquisitions been included from the start of the financial year.

	2022 Revenue AER €m	2022 Pre-acquisition revenue AER €m	2022 Pro forma revenue AER €m
Create	275.5	14.0	289.5
Globalize	300.9	–	300.9
Engage	114.3	17.4	131.7
	690.7	31.4	722.1

Organic revenue at constant exchange rates*

Organic revenue at constant exchange rates is calculated by adjusting the prior year revenues, adding pre-acquisition revenues for the corresponding period of ownership, and applying the 2021 foreign exchange rates to both years, when translating studio results into the euro reporting currency.

	2021 Revenue AER €m	2021 Pre-acquisition revenue AER €m	2021 Like for like revenue AER €m	2022 Revenue growth CER €m	2022 Revenue CER €m	2022 Organic revenue growth CER %
Create	188.2	15.0	203.2	52.7	255.9	25.9%
Globalize	231.9	–	231.9	54.3	286.2	23.4%
Engage	92.1	7.2	99.3	9.6	108.9	9.7%
	512.2	22.2	534.4	116.6	651.0	21.8%

* The prior-year comparatives have been reclassified to present information by service line in alignment with the new organisational and reporting structures (see note 3).

Adjusted operating costs

This comprises Administrative expenses as reported in the Consolidated statement of comprehensive income, adding back share-based payments expense, costs of acquisition and integration, amortisation of intangible assets, depreciation and impairment, non-controlling interest and deducting bank charges.

Calculation		2022 €'000	2021 €'000
Administrative expenses	Consolidated statement of comprehensive income	(196,554)	(149,749)
Share-based payments expense	Consolidated statement of comprehensive income	18,678	16,394
Costs of acquisition and integration	Consolidated statement of comprehensive income	8,413	7,972
Amortisation of intangible assets	Consolidated statement of comprehensive income	16,810	13,688
Depreciation – property, plant and equipment	Note 13	18,365	11,661
Depreciation and impairment – right of use assets	Note 12	14,585	10,473
Non-controlling interest	Consolidated statement of comprehensive income	–	67
Bank charges	Note 6	(662)	(520)
Adjusted operating costs		(120,365)	(90,014)
Adjusted operating costs as a % of revenue		17.4%	17.6%

Adjusted operating profit

The Adjusted operating profit consists of the Operating profit as reported in the Consolidated statement of comprehensive income, adjusted for share-based payments expense, costs of acquisition and integration, and amortisation of intangible assets. In order to present the measure consistently year-on-year, the impact of other income is also excluded.

Calculation		2022 €'000	2021 €'000
Operating profit	Consolidated statement of comprehensive income	71,810	50,365
Share-based payments expense	Consolidated statement of comprehensive income	18,678	16,394
Costs of acquisition and integration	Consolidated statement of comprehensive income	8,413	7,972
Amortisation of intangible assets	Consolidated statement of comprehensive income	16,810	13,688
Other income	Consolidated statement of comprehensive income	(1,098)	–
Adjusted operating profit		114,613	88,419
Adjusted operating profit as a % of revenue		16.6%	17.3%

EBITDA

EBITDA comprises Operating profit as reported in the Consolidated statement of comprehensive income, adjusted for amortisation of intangible assets, depreciation and impairment, and deducting bank charges.

Calculation		2022 €'000	2021 €'000
Operating profit	Consolidated statement of comprehensive income	71,810	50,365
Amortisation of intangible assets	Consolidated statement of comprehensive income	16,810	13,688
Depreciation – property plant and equipment	Note 13	18,365	11,661
Depreciation and impairment – right of use assets	Note 12	14,585	10,473
Bank charges	Note 6	(662)	(520)
EBITDA		120,908	85,667

Alternative performance measures continued

Adjusted EBITDA

Adjusted EBITDA comprises EBITDA, adjusted for share-based payments expense, costs of acquisition and integration and non-controlling interest. In order to present the measure consistently year-on-year, the impact of other income is also excluded.

Calculation		2022 €'000	2021 €'000
EBITDA	As above	120,908	85,667
Share-based payments expense	Consolidated statement of comprehensive income	18,678	16,394
Costs of acquisition and integration	Consolidated statement of comprehensive income	8,413	7,972
Non-controlling interest	Consolidated statement of comprehensive income	–	67
Other income	Consolidated statement of comprehensive income	(1,098)	–
Adjusted EBITDA		146,901	110,100
Adjusted EBITDA as a % of revenue		21.3%	21.5%

Adjusted profit before tax

Adjusted profit before tax comprises Profit before taxation as reported in the Consolidated statement of comprehensive income, adjusted for share-based payments expense, costs of acquisition and integration, amortisation of intangible assets, non-controlling interest, foreign exchange gains and losses, and unwinding of discounted liabilities. In order to present the measure consistently year-on-year, the impact of other income is also excluded.

Calculation		2022 €'000	2021 €'000
Profit before taxation	Consolidated statement of comprehensive income	67,982	47,983
Share-based payments expense	Consolidated statement of comprehensive income	18,678	16,394
Costs of acquisition and integration	Consolidated statement of comprehensive income	8,413	7,972
Amortisation of intangible assets	Consolidated statement of comprehensive income	16,810	13,688
Non-controlling interest	Consolidated statement of comprehensive income	–	67
Foreign exchange (gain)/loss	Note 6	(1,677)	(1,983)
Unwinding of discounted liabilities – deferred consideration	Note 6	2,922	1,882
Other income	Consolidated statement of comprehensive income	(1,098)	–
Adjusted profit before tax		112,030	86,003
Adjusted profit before tax as a % of revenue		16.2%	16.8%

Adjusted effective tax rate

The Adjusted effective tax rate is the Taxation expense as reported in the Consolidated statement of comprehensive income, adjusted for the tax impact of the adjusting items in arriving at Adjusted profit before tax, as a percentage of the Adjusted profit before tax.

Calculation		2022 €'000	2021 €'000
Adjusted profit before tax	As above	112,030	86,003
Taxation	Consolidated statement of comprehensive income	20,612	13,875
Effective tax rate before tax on adjusting items	Taxation/Adjusted profit before tax	18.4%	16.1%
Tax arising on bridging items to Adjusted profit before tax^		4,043	4,729
Adjusted taxation		24,655	18,604
Adjusted effective tax rate	Adjusted taxation/Adjusted profit before tax	22.0%	21.6%

^ Being mainly the tax impact of share-based payments expense €0.4m and amortisation of intangible assets €4m less foreign exchange €0.4m, with the prior period being mainly the tax impact of share-based payments expense €2.8m, amortisation of intangible assets €2.1m, less foreign exchange €0.2m.

Adjusted earnings per share

The Adjusted profit after tax comprises the Adjusted profit before tax, less the Taxation expense as reported in the Consolidated statement of comprehensive income, adjusted for the tax impact of the adjusting items in arriving at Adjusted profit before tax.

The Adjusted earnings per share comprises the Adjusted profit after tax divided by the non-diluted weighted average number of shares as reported in note 7.

Calculation		2022 €'000	2021 €'000
Adjusted profit before tax	As above	112,030	86,003
Taxation	Consolidated statement of comprehensive income	(20,612)	(13,875)
Tax arising on bridging items to Adjusted profit before tax^		(4,043)	(4,729)
Adjusted profit after tax		87,375	67,399
Denominator (weighted average number of equity shares)	Note 8	76,979,596	75,526,296

	2022 € c	2021 € c
Adjusted earnings per share	113.50	89.24
Adjusted earnings per share % growth	27.2%	46.5%

^ Being mainly the tax impact of share-based payments expense €0.4m and amortisation of intangible assets €4m less foreign exchange €0.4m, with the prior period being mainly the tax impact of share-based payments expense €2.8m, amortisation of intangible assets €2.1m, less foreign exchange €0.2m.

Return on capital employed (ROCE)

ROCE represents the Adjusted profit before tax (excluding net interest costs, unwinding of discounted lease liabilities and bank charges, and also adjusted to include pre-acquisition profits of current year acquisitions), expressed as a percentage of the capital employed. As the Group continues to make multiple acquisitions each year, the calculation further adjusts the Adjusted profit before tax and the capital employed as if all the acquisitions made during each year were made at the start of that year.

Capital employed represents Total equity as reported on the Consolidated statement of financial position, adding back employee defined benefit plan liabilities, cumulative amortisation of intangible assets (customer relationships), acquisition-related liabilities (deferred and contingent consideration), together with loans and borrowings, while deducting cash and cash equivalents.

Calculation		2022 €'000	2021 €'000
Adjusted profit before tax	As above	112,030	86,003
Interest received	Note 6	(309)	(62)
Bank charges	Note 6	662	520
Interest expense	Note 6	1,261	1,040
Unwinding of discounted liabilities – lease liabilities	Note 6	969	985
Pre-acquisition profits of current year acquisitions	Note 27	1,601	2,573
Adjusted profit before tax including pre-acquisition profit and excluding net interest		116,214	91,059
Total equity	Consolidated statement of financial position	557,091	472,120
Employee defined benefit plans	Consolidated statement of financial position	2,861	3,088
Cumulative amortisation of intangibles assets (customer relationships)	Note 11	58,301	40,708
Deferred and contingent consideration	Note 17	63,253	54,142
Loans and borrowings	Note 18	51	129
Cash and cash equivalents	Consolidated statement of financial position	(81,886)	(105,710)
Capital employed		599,671	464,477
Return on capital employed	Adjusted profit before tax including pre-acquisition profit and excluding net interest expense/capital employed	19.4%	19.6%

Alternative performance measures continued

Free cash flow

Free cash flow represents Net cash generated by/(used in) operating activities as reported in the Consolidated statement of cash flows, adjusted for acquisition and integration cash outlay, capital expenditure, non-cash movements in deferred and contingent consideration related to continuous employment, net interest paid, payments of principal on lease liabilities and is presented both before and after taxation paid. In order to present the measure consistently year-on-year, the impact of other income is also excluded.

Calculation		2022 €'000	2021 €'000
Net cash generated by/(used in) operating activities	Consolidated statement of cash flows	124,286	90,545
Acquisition and integration cash outlay:			
Costs of acquisition and integration	Consolidated statement of comprehensive income	8,413	7,972
Fair value adjustments to contingent consideration	Consolidated statement of cash flows	(2,282)	(5,567)
Non-cash movements in Deferred and contingent consideration related to continuous employment		(3,000)	–
Acquisition of property, plant and equipment	Consolidated statement of cash flows	(27,007)	(19,360)
Investment in intangible assets	Consolidated statement of cash flows	(501)	(315)
Other income	Consolidated statement of comprehensive income	(1,098)	–
Interest received	Consolidated statement of cash flows	309	62
Interest paid	Consolidated statement of cash flows	(1,797)	(2,738)
Payments of principal on lease liabilities	Consolidated statement of cash flows	(11,361)	(9,953)
Free cash flow after tax		85,962	60,646
Taxation paid	Consolidated statement of cash flows	17,505	23,948
Free cash flow before tax		103,467	84,594

Adjusted free cash flow

Adjusted free cash flow is a measure of cash flow adjusting for capital expenditure that is supporting growth in future periods (as measured by capital expenditure in excess of maintenance capital expenditure).

Calculation		2022 €'000	2021 €'000
Free cash flow before tax	As above	103,467	84,594
Capital expenditure in excess of depreciation:			
Acquisition of property, plant and equipment	Consolidated statement of cash flows	27,007	19,360
Depreciation – property, plant and equipment	Consolidated statement of cash flows	(18,365)	(11,661)
Capital expenditure in excess of depreciation		8,642	7,699
Adjusted free cash flow		112,109	92,293

Adjusted cash conversion rate

The Adjusted cash conversion rate is the Adjusted free cash flow as a percentage of the Adjusted profit before tax:

Calculation		2022 €'000	2021 €'000
Adjusted free cash flow	As above	112,109	92,293
Adjusted profit before tax	As above	112,030	86,003
Adjusted cash conversion ratio	Free cash flow before tax and capital expenditure in excess of depreciation, as a % of Adjusted profit before tax	100.1%	107.3%

Net debt

The Group manages capital by monitoring debt to capital and net debt ratios. Net debt is calculated as Loans and borrowings (as shown in the Consolidated statement of financial position) less Cash and cash equivalents, and excludes Lease liabilities.

Calculation		2022 €'000	2021 €'000
Loans and borrowings	Consolidated statement of financial position	51	129
Cash and cash equivalents	Consolidated statement of financial position	(81,886)	(105,710)
Net debt/(net cash) position		(81,835)	(105,581)

Key disclaimers

References to “Keywords”, “Keywords Studios” or the “Group” are to Keywords Studios Plc (the “Company”) and its subsidiaries unless otherwise stated. The “Keywords Studios” word and logo marks are trademarks owned by Keywords International Limited, a member of the Group. Other product and company names mentioned herein may be the trademarks of their respective owners.

This report contains “forward-looking statements” with respect to the Group’s financial condition, results of operations and businesses and certain of the Group’s plans and objectives. In particular, such forward-looking statements include, but are not limited to, statements with respect to: expectations regarding the Group’s financial condition or results of operations and the guidance for a financial year; the Group’s sustainable business strategy and targets; expectations for the Group’s future performance generally; expectations regarding the operating environment and market conditions and trends, including customers, new game launches and next generation consoles, adjacent markets, games-as-a-service, competitive position and macroeconomic pressures, price trends, commercial momentum and opportunities in specific geographic markets; expectations regarding the integration or performance of current and future investments and newly acquired businesses. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as “will”, “anticipates”, “could”, “may”, “should”, “expects”, “believes”, “estimates”, “intends”, “plans” “projects” or “targets” (in each case including in their negative form or other variations or their comparable terminology). By their nature, forward-looking statements include matters that are not historical facts and are inherently predictive, speculative and involve risk and uncertainty because they relate to events, and depend on circumstances, that may or may not occur in the future. No reliance whatsoever should be placed on any forward-looking statements.

There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following: changes in economic, financial, political and regulatory conditions; factors that contribute to uncertainty and volatility, including natural and man-made disasters, civil unrest, pandemics (e.g. the coronavirus (COVID-19) pandemic (the “COVID-19 pandemic”)) and geopolitical uncertainty; the ability of the Group to successfully recover from a disaster, force majeure event or other business continuity problem including, but not limited to, due to a hurricane, flood, earthquake, terrorist attack, war, pandemic, security breach, cyber-attack, insider threats or supplier breach, disclosure or misuse of confidential information, power loss, data loss, telecommunications failure or other natural or man-made event; any governmental or other third party policies or actions to maintain the functioning of national or global economies and markets; changes to legal, regulatory and tax environments; increased competition; the Group’s ability to generate and grow revenue; the Group’s ability to meet its ESG-related goals and targets; the Group’s ability to adapt to rapid advances in technology; the Group’s ability to attract and retain customers; reductions or changes in customer trends or spending and increased pricing pressure; the Group’s ability to attract and retain talent and wage inflation; the Group’s ability to realise expected benefits or synergies from acquisitions; acquisitions and divestments of Group businesses and assets and the pursuit of new, unexpected strategic opportunities; the Group’s ability to integrate acquired business or assets; the extent of any future write-downs or impairment charges on the Group’s assets, or restructuring charges incurred as a result of an acquisition or disposition; developments in the Group’s financial condition, earnings and distributable funds and other factors that the Board takes into account in determining the level of dividends; the Group’s ability to satisfy working capital requirements; and changes in foreign exchange rates.

Company information

Directors
Ross Graham
Don Robert
Bertrand Bodson
Jon Hauck
Georges Fornay
Charlotta Ginman
Marion Sears
Neil Thompson

Secretary
Andrew Kennedy

Registered Number
8548351

Registered Office
Fourth Floor,
110 High Holborn,
London WC1V 6JS, UK

Auditors
BDO Registered Auditors
Block 3, Miesian Plaza,
50-58 Lower Baggot Street,
Dublin 2, Ireland

Registrars
Link Group
10th Floor,
Central Square,
29 Wellington Street,
Leeds LS1 4DL, UK

Remuneration Consultants
Deloitte LLP
1 New Street Square,
London EC4A 3HQ, UK

Principal Bankers
Citibank, N.A., London Branch
Citigroup Centre, Canada Square,
Canary Wharf,
London E14 5LB, UK

Fifth Third Bank
National Association Representative Office,
38 Fountain Square Plaza, Cincinnati,
Ohio 45263, USA

HSBC Continental Europe
38 Avenue Kléber,
75116 Paris, France

ING Bank N.V., Dublin Branch
Block 4, Dundrum Town Centre,
Sandyford Road, Dundrum, Dublin 16, Ireland

Nominated Adviser and Broker
Numis Securities Limited
45 Gresham Street,
London EC2V 7BF, UK

Financial PR Adviser
MHP Group
4th Floor, 60 Great Portland Street,
London W1W 7RT, UK

Solicitors
DWF LLP, 20 Fenchurch Street,
London EC3M 3AG, UK

FSC
www.fsc.org
MIX
Paper | Supporting responsible forestry
FSC™ C014531

WORLD LAND TRUST™
www.carbonbalancedpaper.com
CBP018164

Printed by a Carbon Neutral Operation (certified: CarbonQuota) under the PAS2060 standard.

Printed on material from well-managed, FSC™ certified forests and other controlled sources.
This publication was printed by an FSC™ certified printer that holds an ISO 14001 certification.

100% of the inks used are HP Indigo ElectroInk which complies with RoHS legislation and meets the chemical requirements of the Nordic Ecolabel (Nordic Swan) for printing companies, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled and the remaining 1% used to generate energy.

The paper is Carbon Balanced with World Land Trust, an international conservation charity, who offset carbon emissions through the purchase and preservation of high conservation value land. Through protecting standing forests, under threat of clearance, carbon is locked-in, that would otherwise be released.

Designed and produced by **emperor**
Visit us at **emperor.works**

Keywords Studios
Imagine More

Keywords Studios plc
4th Floor
110 High Holborn
London WC1V 6JS
United Kingdom

www.keywordsstudios.com