18 September 2019

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

Half year results for the six months to 30 June 2019

Excellent revenue growth and significant investment in expanding our service platform

Keywords Studios, the international technical and creative services provider to the global video games industry, today provides its half year results for the six months to 30 June 2019.

Financial overview:

Strong like for like growth, complemented by acquisitions

- Revenue, including contribution from acquisitions, increased by 39.3% to €153.2m (H1 2018: €110.0m)
  - Like-for-like revenue at constant currency exchange rates, increased by 17.3%[1] to €146.4m (H1 2018: €124.8m)
- Gross profit margin of 36.1% (H1 2018: 37.4%) as a result of rapid recruitment and training, staffing of new facilities, and the impact of one significant project brought in through an acquisition
- Adjusted EBITDA[2] was €25.8m, on a pre IFRS 16 basis it was €22.3m (H1 2018: €18.7m)
- Adjusted profit before tax[3] was up 14.3% to €18.4m, on a pre IFRS 16 basis it was €18.6m (H1 2018: €16.1m)
- Adjusted earnings per share[4] was 18.36c, on a pre IFRS 16 basis it was 18.71c (H1 2018: 18.30c), resulting from the higher tax charge combined with the increase in the tax related to adjusted items offsetting the growth in Adjusted profit before tax
- Annualised return on capital employed (ROCE)[5] YE 30 June 2019 of 19.7% (YE 30 June 2018: 17.6%)
- Operating cash conversion[6] of 53%, on a pre IFRS 16 basis it was 34% (H1 2018: 40%)
- Net debt of €9.0m (net cash H1 2018: €0.1m; net debt FY 2018: €0.4m) after €7.0m[7] of net cash outlay on acquisitions and €5.1m capital expenditure on expanding facilities for future growth
- 10% increase in interim dividend to 0.58p per share (H1 2018: 0.53p)

Operational overview:

Investment in our platform to capture accelerating outsourcing demand in the growing video games market

- Continued investment for growth:
  - Approximately 1,400 new work stations under preparation for 2019, representing approximately 25% of existing capacity, of which only c.200 were partially available during H1
  - The major beneficiaries of expansion investment are our studios in Montreal, Katowice, Manila, Brighton, Mexico City, Tokyo, Sao Paolo and New Delhi
  - Continued to develop the Group through acquisitions:
    - Four acquisitions during the half: Sunny Side Up, GetSocial, Wizcorp and Descriptive Video Works
    - Added scale and diversified Keywords' Marketing, Audio and Game Development service offerings
- Considerable progress in cross-selling services with a 14% increase in clients buying 3 or more services to 113 (FY 2018: 99)
- New revolving credit facility agreed for up to €140m with Barclays, HSBC, Citibank and Silicon Valley Bank

Post period end, current trading and outlook:

- Trading in the second half has started well. The Board expects:
    - Strong organic revenue growth, at slightly slower growth rates than the first half, with particularly strong growth in Functional Testing, Game Development and Art Creation whilst Audio and Localisation Testing are not expected to see their typical seasonal peak in activity in the second half due to certain clients' shift to focus on new consoles expected in 2020.
    - Stronger margins in the second half as we incrementally benefit from first half investments in capacity expansion partially offset by an underperforming contract and continued commissioning of new facilities.
- Announced separately today:
    - Acquisition of TV Synchron, a Berlin based dubbing and voice-over studio
- We continue to selectively review a strong acquisition pipeline with an anticipated emphasis on Game Development and Marketing services

Andrew Day, Chief Executive of Keywords Studios, commented:

"The Group grew very strongly in the first half with increased demand across all of our service lines, and particularly strong performances from Functional Testing and Game Development, as the market accelerates its use of external development and service partners.

"We invested in capacity to match this accelerating trend, with significant investments in new and enlarged and improved facilities which will come on stream incrementally during the second half and into 2020. This investment, combined with a ramp up in staffing to meet faster and earlier growth than previously expected in our Functional Testing service line, meant we carried additional direct and indirect operational costs in the first half. However, underlying margins remain in line with historic norms and we,therefore, expect margins to progress in the second half and through 2020 as we benefit from our first half and ongoing investments.

"Trading in the second half has started well, with continued strong performances from our Game Development, Functional Testing and Art Creation service lines in particular. Overall, this leaves us well placed to deliver revenues for the full year at the upper end of current market expectatons with our profit expectations broadly unchanged.

"Our organic investments leave us well positioned to capture the clear opportunity for Keywords to grow our relationships with the major games companies through increased capacity, new services and dedicated outsourced services and to increase margins to normal Group levels as we benefit from these investments during 2020.

"Our acquisition pipeline is very healthy and we are actively reviewing a number of attractive acquisition opportunities that would add critical mass, capacity, and extend our service offering or geographical penetration."

A presentation of the half year results will be made to analysts later this morning at MHP's offices. There will also be a live, listen only webcast of the presentation and a recording will be made available via www.keywordsstudios.com. To register for access, please contact Charles Hirst at MHP Communications on +44 20 3128 8193 or email keywords@mhpc.com.

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Notes to Editors

Keywords Studios is an international technical services provider to the global video games industry. Established in 1998, and now with over 50 facilities in 21 countries strategically located in Asia, the Americas and Europe, it provides integrated art creation, game development, testing, localisation, audio and player support services across more than 50 languages and 16 games platforms to a blue-chip client base of approximately 950 clients across the globe. It has a strong market position, providing services to 23 of the top 25 most prominent games companies, including Activision Blizzard, Bandai Namco, Bethesda, Electronic Arts, Epic Games, Konami, Riot Games, Sony, Square Enix, Supercell, TakeTwo and Ubisoft. Recent titles worked on include Uncharted 4: A Thief's End, Call of Duty: WWII, Mortal Combat X, Assassin's Creed Origins, Battlefield 1, League of Legends, Fortnite, Clash Royale and Rainbow Six-Siege. Keywords Studios is listed on AIM, the London Stock Exchange regulated market (KWS.L).

The business uses a number of adjusted measures that are not defined or recognised under IFRS. For full definitions and explanations of these measures and a reconciliation to the most directly referenceable IFRS line item, please refer to the Supplementary Information in the 2018 Annual Report. In addition, the following footnotes apply throughout the announcement where referenced.

1 *Like-for-like revenue at constant currency exchange rates is calculated by adjusting the prior year revenues, adding pre-acquisition revenues for the corresponding period of ownership in the current year results, and applying the 2018 foreign exchange rates in both years*

2 *EBITDA comprises profit before taxation, adding back depreciation, amortisation, both interest income and expense, and exchange gains and losses. Adjusted EBITDA is also before acquisition and integration expenses of €2.8m (H1 2018: €2.0m), share option charges of €4.0m (H1 2018: €0.8m) and non-controlling interests of €0.1m (H1 2018: €nil)*

3 *Being Profit before Tax adjusted for acquisition and integration related expenses of €2.8m (H1 2018: €2.0m), share option charges of €4.0m (H1 2018: €0.8m), amortisation of intangibles of €3.5m (H1 2018: €3.1m), non-controlling interests €0.1m (H1 2018: €nil) and foreign currency exchange loss of €1.2m (H1 2018: gain of €0.8m)*

4 Being Earnings per Share with the calculation adjusted for acquisition and *integration expenses of €2.8m (H1 2018: €2.0m), share option charges of €4.0m (H1 2018: €0.8m), amortisation of intangibles of €3.5m (H1 2018: €3.1m), foreign currency exchange loss of €1.2m (H1 2018: gain of €0.8m) and non-controlling interests of €0.1m (H1 2018: €nil) and deducting the tax associated with these adjusting items of €2.9m (H1 2018: €1.3m as restated to take into account the tax impact)*

5 *The Annualised ROCE has been calculated for the 12 month period ending 30 June 2019 (as calculated on the same basis as defined in the 2018 Annual Report)*

6 *The operating cash conversion ratio has been calculated as Adjusted Operating Cash Flow expressed as a percentage of the Adjusted Profit before Tax, formerly referred to as Adjusted Free Cash Flow and defined in the Supplementary Information in the 2018 Annual Report*

7 *After payment of €5.2m net cash consideration for acquisitions (H1 2018: €10.6m) and deferred consideration of €1.8m (H1 2018: €1.0m)*

8 *B*eing administrative expenses before non-operating costs including; share option costs, costs of acquisitions and integration, amortisation, depreciation, and including bank charges*.*

Chief Executive Officer's Overview

Excellent growth as we invested in a strengthened and more diversified services platform

The first half of the year has seen excellent growth, with like for like revenue up by 17.3%, on a constant currency basis, complemented by four acquisitions.

The strongest performances were from Functional Testing and Game Development, which are now our two largest service lines. Having only entered Game Development through the acquisition of GameSim in May 2017, we have grown it to become a £30m revenue business, giving us both scale and an international platform from which to increase our share of this substantial and high growth market.

The increased demand for our services across the board, reflects the continued underlying growth in the video games industry, the accelerating trend towards video games developers and publishers outsourcing a greater proportion of their games' development and support, and our success in gaining an increased share of this outsourced market as we continue to grow and develop our client relationships.

We have also strengthened our position to continue to benefit from these trends by investing in expanding and diversifying the Group organically and by acquisition to better serve our global client base and position ourselves for further growth.

Delivering on Our Strategy

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

The key pillars of our strategy are to grow organically and by acquisition to extend the Group's service capacity, capabilities and geographical reach in order to better serve our client base across all platforms, key geographies and languages, and a full range of services and solutions.

Positioning the Group as the leader of scale in an otherwise highly fragmented service provision market, despite the scale and global nature of the major video games publishers and developers, will enable us to continue to take advantage of the trend towards greater outsourcing as clients seek to manage the demands for increasingly sophisticated content whilst limiting their fixed costs.

By investing in capacity expansion and generating synergies across our expanding multi-service global platform, we are increasingly becoming a strategically important partner to our clients who require a service provider of our scale and flexibility.

Organic Growth and Investment

We saw strong demand across all of our service lines, which grew revenues by between 5% to 33% in the period (on a like for like, constant current basis[1]), with particularly strong growth across our Game Development. Functional Testing, and Art Creation service lines,

We also continued to expand our client relationships by making good progress with cross selling our services reflected in a 14% increase in clients buying 3 or more services to 113 (FY 2018: 99).

As a result of strong demand for certain service lines, we incurred extra costs in areas such as recruitment, training, IT and HR in the first half as we brought forward our capacity expansion. In particular, as a result of our Functional Testing service line growing faster, earlier in the year than expected, we incurred additional costs due to the steep ramp up in staffing in the first half, which we do not expect to repeat in the second half.

We have also continued to support the costs of the investment phase in our early stage technology businesses, Yokozuna Data and GetSocial, and our fledgling services in sound design, subtitling and dubbing for film and TV.

We continue to work on an under-performing, fixed price contract, that was entered into prior to the acquisition of one of our Game Development businesses and we expect to exit this contract by the end of the year. This is incrementally freeing up resource for more profitable work in the second half and into 2020.

In addition, we invested in both expanding our operational capacity and enhancing the Group's infrastructure to scale up our business to support growth in future periods. In addition to the c.1400 work stations being created, this has included investment in people, systems and marketing as we develop our IT and finance functions and enhance our global branding. The first half of 2019 also saw us invest substantially in the expansion of the Group's facilities in Mexico City, Katowice, and Tokyo, following substantial investments in Montreal, Sao Paolo, Brighton, New Delhi, Manila in the second half of 2018. We incurred additional start-up costs at the newly opened facilities in Katowice and Mexico City, particularly as we had duplicated sites during a transition period, which weighed on our margins in the first half. However, as those work stations come on stream we would expect to see those operations return to break even in the second half and generate normal operating margins thereafter.

As we continue to bring on stream this additional capacity, our investment in new work stations will enable us to take advantage of the higher levels of activity that we are experiencing in a more cost efficient manner, whilst also allowing us to continue to increase our market share of the growing outsourced services market, positioning us well for both now and over the longer term.

Acquisitions

In line with our strategy, we continued to grow the business in the first half through four acquisitions, of Sunny Side Up, Get Social, Wizcorp and Descriptive Video Works. These have further diversified our service offering to the video games industry, adding the production of high-quality marketing assets in Canada; the development of cloud-based solutions for games developers to manage social interactions with their games; mobile Game Development services in Japan; and accessibility services in North America to our Audio offering. All have served to further strengthen our position as the leading global player in the outsourced services market by expanding the breadth of the value-added services we are able to offer our clients.

We have also made good progress with integrating prior period acquisitions, all of which are making good contributions to the Group. The Group's largest acquisition in 2018 (completed in August), Studio Gobo and Electric Square, have outperformed expectations while our largest acquisition in 2017 (completed in October), VMC, was fully integrated in 2018, achieving margins in line with those of the Group, with the subsequent benefits of our additional scale demonstrated in the first half of the current year in the particularly strong growth in our Functional Testing service line.

Post period end events

We today announce the acquisition of TV Synchron, a Berlin based dubbing and voice over studio in German language for €3.7m, of which €2.8m is being paid in cash on completion and €0.9m in KWS shares to be issued on the first anniversary of completion. TV Synchron, was founded in 1991 by Thomas Wolfert, a veteran of the German dubbing industry, and has a very solid pedigree in the entertainment industry, having worked on over 7,000 episodes and a quarter of a million minutes of voiced materials. Its clients include TOEI Animation, VIZ, Turner, Discovery Channels, A&E and has recently had its production quality and processes recognized when it was granted a "gold rated" Netflix Post Partner Program certification ("NP3") by Netflix. The company is expected to generate revenues of €4.1m for the year ended December 2019.

Overall, the acquisitions and organic investments made to date leave us better placed than ever to support our video game developers and publishers from the very early concept stages of game design through to launch and live operations phases.

Financial overview

Revenue

The Group's very strong performance in the first half, with revenues increasing by 39.3% to €153.2m (H1 2018: €110.0m), reflected a combination of strong organic growth and our success in executing and integrating acquisitions.

Currency

Currency movements had a material impact in the first half, primarily the strengthening of the US dollar 7% against the Euro between H1 2018 and H1 2019 (in which approximately 55% of the Group's revenues were denominated). On a constant currency basis, revenues would have been €6.7m lower at €146.4m. In order to provide a more meaningful H1 2018 and H1 2019 comparison of underlying performance, all like for like revenue figures in this report have been provided on a constant currency basis to exclude foreign exchange impacts.

Gross profit margin

The gross profit margin of 36.1% (H1 2018: 37.4%) was lower than the comparative period resulting from the particularly rapid recruitment and training of new staff to meet very strong demand for our Functional Testing and Game Development. This was combined with the impact in the current year of an underperforming, fixed price project which is not expected to be a drag as we move in to 2020.

Administrative expenses

Administrative expenses increased in the first half of the year to €35.9m, or 23.4% of revenue, (H1 2018: €24.7m or 22.5% of revenue). Excluding the impact of IFRS 16, Adjusted Operating Costs[8] were €32.9m or 21.5% of revenue (H1 2018: €22.5m or 20.5% of revenue) reflecting the costs in the acquired entities and investments made in existing and new facilities, strengthened management, support personnel and infrastructure. As the first half investments start to contribute in the second half, we expect to see our administrative expenses trending back towards our target of 20% as we move into 2020. Revenues and cost management remains a point of focus across the Group's activities as we drive synergies across the enlarged group.

Exceptional items

One-off costs of acquiring and integrating the newly acquired companies of €2.8m (H1 2018: €2.0m) were incurred in the period. Included in net finance costs is a translational foreign exchange loss of €1.2m (H1 2018: €0.8m gain) in the first half of the current year which is primarily due to the effect of translating net current assets held in foreign currencies.

EBITDA

Adjusted EBITDA[2] was €25.8m, on a pre IFRS 16 basis it was €22.3m, (H1 2018: €18.7m). EBITDA was €18.9m, on a pre IFRS 16 basis it was €15.3m, (H1 2018: €15.3m).

Profit before tax

Adjusted profit before tax[3] for the first half of the current financial year increased by 14.3% to €18.4m, on a pre IFRS 16 basis it was €18.6m (H1 2018: €16.0m). After these items, the Group reported a profit before tax for the period of €6.7m (H1 2018: €10.8m).

Taxation

The tax charge in the period was €3.6m including a one off €0.5m tax charge relating to a legacy pre acquisition tax issue (H1 2018: €3.1m). This represented an effective tax rate on the adjusted profit of 19.8% (H1 2018: 19.2%). We anticipate that the effective tax rate will return to lower levels over time.

Earnings per share

Adjusted earnings per share[4] was 18.36c, on a pre IFRS 16 basis it was 18.71c (H1 2018: 18.30c), resulting from the higher tax charge combined with the increase in the tax related to adjusted items offsetting the growth in Adjusted profit before tax. Basic earnings per share were down 61% to €4.7c (H1 2018: €12.1c), primarily due to increases in amortisation, share option and depreciation charges. The denominator used for these calculations includes the shares which will be issued for all of the outstanding deferred consideration for prior acquisitions, comprising those due to the sellers of Sunny Side Up and Descriptive Video Works.

Cashflows

In spite of a combination of the increased trading in the second quarter, and the Group entering a traditionally busy third quarter, where the Group typically has its maximum cash requirement for the year, the Group generated a net inflow of cash from operations of €9.2m, excluding the impact of IFRS 16 €5.7m (H1 2018: €6.0m). Debtor days improved to 46 days (H1 2018: 49) as a result of our continued focus on tightly managing cashflows.

In the period, the Group completed four acquisitions and a further investment in AppSecTest Ltd, reflected in a net cash outflow on consideration of €5.2m (H1 2018: €10.6m) and paid deferred consideration of €1.8m (H1 2018: €1.0m). Capital expenditure was €1.3m higher than the prior period at €5.1m (H1 2018: €3.8m), reflecting the cost of increasing capacity in several studios and a continued refresh of IT equipment.

Funding and capital structure

As at 30 June 2019, the Group had cash balances at €37.8m (H1 2018: €32.2m) and borrowings of €46.8m (H1 2018: €32.1m), giving net debt of €9.0m (H1 2018: net cash of €0.1m).

To help fund acquisitions and general working capital requirements the Group has successfully agreed a new revolving credit facility, provided by Barclays Bank plc, Citibank N.A., HSBC and Silicon Valley Bank, for an initial €100m over a three-year term, with the option to extend the facility up to €140m and by a further two years. It replaces the existing €105m facility, on the same terms.

Operational review

Following acquisitions during the first half and prior periods, Keywords is well diversified, both geographically and through a broader portfolio of services.

Art Creation (15% of group revenues in H1 2019)

Our Art Creation service line creates graphical art assets for video games including concept art creation, 2D and 3D art asset production and animation. Also included under our Art services business is the Marketing services business we have started building through the acquisitions of Fire Without Smoke, The Trailer Farm and Sunny Side Up.

Art Creation revenues grew by 50% to €22.2m (H1 2018: €14.8m, restated to exclude Sperasoft art resources) with the benefit of contributions from 2018 and 2019 acquisitions Fire Without Smoke, The Trailer Farm and Sunny Side Up. On a like for like basis, Art Creation revenues were 15.8% higher than in H1 2018.

We expect Art Creation to continue to deliver strong growth in the second half. Marketing services is expected to be an area of particular focus for future acquisitions and, once it achieves sufficient scale through organic and acquisitive growth, we plan to report its results separately from Art Creation.

Game Development (formerly Engineering - 19% of group revenues in H1 2019)

Formerly called Engineering, our Game Development service line provides outsourced software engineering and game development services to publishers and developers .

Now our second largest service line, Game Development increased revenues by 129.5% to €29.6m in the first half (H1 2018: €12.9m after restating for certain art-related revenues in Sperasoft that are now classified under Game Development). This increase reflected a marginal benefit from the acquisition of Wizcorp in April 2019 and the benefit of full six month contributions from Studio Gobo, Electric Square and Snowed In. Like for like revenue increased 32.9% compared to H1 2018.

We expect Game Development to grow strongly as we move into the second half, although not at the same rate as the particular strong growth seen in the first half, albeit we do expect increases in pricing to reflect current market rates to underpin improving margins in the service line.

Audio Services (12% of group revenues in H1 2019)

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

Audio revenues rose by 30.9% in the period to €17.8m (H1 2018: €13.6m), with the full six month contributions from the acquisitions of Cord, Laced, Blindlight and Maximal in 2018 and that of Descriptive Video Works in 2019. On a like for like basis revenues were up 6.7% compared to H1 2018.

The investment made in our Liquid Violet audio production facility in London's Covent Garden in 2018 is adding to the growth in that business as it establishes itself as a destination studio for English voice production. We were delighted that this studio and our Burbank, Los Angeles voice production facility were granted Netflix preferred vendor status in 2019 alongside that of Descriptive Video Works.

We expect Audio Services not to experience the marked seasonal peak in activity in the second half that it has experienced in previous years due to 'AAA' games normally being scheduled for release during the end of year gifting season. This is due to the potential effect of the transition to the new consoles launching in 2020 on clients' games launch cycles and we have started to see some shifts in projects as certain clients choose to target the new consoles rather than existing devices.

Functional Testing (20% of group revenues in H1 2019)

Our Functional Testing service line provides quality assurance including the discovery and documentation of game defects, testing to ensure games are compatible with the various hardware devices and configurations they are played on and testing to verify that games comply with console manufacturers' specifications.

Functional testing revenues increased by 42% to €31.8m (H1 2018: €22.4m). Like for like revenues increased by 33.3%.

In the second half, we expect Functional Testing to continue to grow strongly without the same level of drag on margins seen in the first half from the steep ramp up in staff, albeit we will continue to invest as we move through the second half. Overall, these investments will enable it to continue to strengthen its market leadership, in North America in particular.

Localisation (15% of group revenues in H1 2019)

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

Localisation revenues grew by 7.9% to €23.1m (H1 2018: €21.4m). On a like for like basis, Localisation revenues have grown by 4.6% as this service line continues to benefit from the movement towards continuous content generation for games in live operation.

We expect Localisation to continue to build on its leading market position in this market.

Localisation Testing (7% of group revenues in H1 2019)

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

Localisation Testing revenue increased by 7.3% to €10.3m (H1 2018: €9.6m). On a like for like basis, Localisation Testing was 4.7% higher compared to H1 2018.

Whilst we anticipate some growth in Localisation Testing in the second half, we are not expecting to see the seasonally typical higher peak in activity in the second half of the year due to potential shifts in games release schedules as certain clients focus more on the new games consoles to be launched in 2020.

Player Support (formerly called Customer Support - 12% of group revenues in H1 2019)

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

Player Support has been consolidating the extremely strong growth of 2018, investing in management talent and expanded facilities. None-the-less, its revenue increased by 19.6% to €18.3m (H1 2018: €15.3m) with like for like revenues up 11.3%.

We expect Player Support to continue to consolidate gains made in 2018 at the full year, as we aim to differentiate our video games specific services from other large providers in the wider customer support market.

Dividends

The Board is pleased to announce a 10% increase in its interim dividend payment, in line with its progressive dividend policy. The interim dividend of 0.58p per share will be paid on 25 October 2019 to shareholders on the register on 4 October 2019 and will go ex-dividend on 3 October 2019. The interim dividend payment will absorb approximately €0.4m of cash resources.

People

The average number of employees across the Group in the period grew to c.6,600 (H1 2018: c. 4,934) driven primarily by the very robust growth in our Functional Testing business. This increase has been primarily focussed on North America and further growth is expected to flow through in Katowice, Poland and Mexico City as these new testing studios ramp up.

We are constantly striving to provide great working environments for all Keywordians around the world. This can be seen in the central locations of our studios. Rather than seek out low cost locations and low cost facilities we feel the benefits of being able to attract the best talent in the most scalable manner outweigh any savings from lower operational costs.

Our continued growth and reputation for consistently delivering good quality service on highly agile engagements to demanding deadlines is testament to the Keywords culture and the skills and commitment of Keywords' talented and games-passionate employees and collaborators.

We are proud of the passion, commitment and professionalism of this invaluable resource of over 7,000 Keywordians which means there is a contribution from Keywords to most of the world's leading games - we would like to thank everyone involved for their valuable contribution to the continued success of the Group.

Current trading and outlook

Trading in the second half has started well, with continued strong performances in our Game Development, Functional Testing and Art Creation service lines in particular, whilst Audio and Localisation Testing are not expected to see their typical seasonal peak in activity in the second half due to certain clients' shift towards focussing on games for the new consoles expected to launch in late 2020.

One of the benefits of Keywords' model is that it is highly diversified by service line, geography and across all gaming platforms. As a result, we expect to benefit from the continued strong growth across mobile and PC games whilst we are already winning significant new business from the recent entrants in game streaming and subscription services.

We are seeing an accelerating trend towards outsourcing, including growing demand for co-development and full game development services and we have invested to match that demand and continue to increase our market share. Much of our first half investment in enlarged and improved facilities will only come on stream incrementally during the second half and into 2020, despite carrying the additional costs in the first half. As such, with our underlying margins remaining in line with historic norms, we expect margins to progress incrementally in the second half and through to 2020 as we benefit from our first half and ongoing investments.

Overall, our strong start to the second half and improving margins leave us well placed to deliver revenues for the full year at the upper end of current market expectatons with our profit expectations broadly unchanged.

Our acquisition pipeline is very healthy and we are actively reviewing a number of attractive acquisition opportunities that would add critical mass, capacity, and extend our service offering or geographical penetration, with an emphasis on game development and marketing services businesses in particular.

The acquisition of synergistic businesses, combined with our continued investment in additional talent and better facilities will enable us to build the 'go to' global games services platform. This will enable us to continue to lead the consolidation of a highly-fragmented market as we take advantage of the accelerating trend towards outsourced services in the growing video games market.

Condensed Interim Consolidated Statement of Comprehensive Income

	Note	**Unaudited 26 weeks ended 30 Jun 19**	Unaudited 26 weeks ended 30 Jun 18	Audited 52 weeks ended 31 Dec 18
		€'000	€'000	€'000
Revenue from contracts with customers	5	**153,190**	109,951	250,805
Cost of sales		**(97,950)**	(68,791)	(154,997)
Gross profit		**55,240**	41,160	95,808
Share option expense		**(4,011)**	(835)	(4,129)
Costs of acquisition and integration		**(2,804)**	(2,006)	(5,296)
Amortisation of intangible assets	10	**(3,491)**	(3,095)	(6,872)
Total of items excluded from adjusted profit measures		**(10,306)**	(5,936)	(16,297)
Other administration expenses		**(35,897)**	(24,742)	(56,826)
Administrative expenses		**(46,203)**	(30,678)	(73,123)
Operating profit		**9,037**	10,482	22,685
Financing income	6	**-**	859	791
Financing cost	6	**(2,354)**	(503)	(1,316)
Share of post-tax profit / (loss) of equity accounted associates		-	-	(66)
Profit before taxation		**6,683**	10,838	22,094
Tax expense		**(3,643)**	(3,088)	(7,191)
Profit		**3,040**	7,750	14,903
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or (loss)				
Actuarial gain / (loss) on defined benefit plans		**13**	(40)	27
Items that may be reclassified subsequently to profit or loss				
Exchange gain / (loss) in net investment in foreign operations *		**620**	834	1,270
Exchange gain / (loss) on translation of foreign operations		**2,895**	6	771
Total comprehensive income		**6,568**	8,550	16,971
Profit / (loss) for the period attributable to:				
Owners of the parent		**3,132**	7,750	14,903
Non-controlling interest		**(92)**	-	-
		3,040	7,750	14,903
Total comprehensive income attributable to:				
Owners of the parent		**6,660**	8,550	16,971
Non-controlling interest		**(92)**	-	-
		6,568	8,550	16,971
Earnings per share		**€ cent**	€ cent	€ cent
Basic earnings per ordinary share	8	**4.69**	12.10	23.16
Diluted earnings per ordinary share	8	**4.50**	11.62	22.24

* Please note that “Exchange gain / (loss) in net investments in foreign operations in the comparative period to 30 June 2018, has been re-classified to correctly classify them as “Items that may be reclassified subsequently to profit or loss”, within Other Comprehensive Income

The notes from page 15 onwards form an integral part of these consolidated financial statements.

Condensed Interim Consolidated Statement of Financial Position

		Unaudited 26 weeks ended 30 Jun 19	Unaudited 26 weeks ended 30 Jun 18 Restated ^	Audited 52 weeks ended 31 Dec 18
		€'000	€'000	€'000
Non-current assets				
Property, plant and equipment	11	**17,666**	11,422	15,002
Right of use assets	18	**20,410**	-	-
Goodwill	10	**163,372**	123,471	154,202
Intangible assets	10	**23,060**	27,201	25,884
Investment in associate	19	**-**	114	160
Deferred tax assets		**3,340**	1,265	2,967
		227,848	163,473	198,215
Current assets				
Trade receivables	12	**43,094**	36,226	37,019
Other receivables	12	**37,238**	30,118	23,459
Cash and cash equivalents		**37,763**	32,184	39,871
		118,095	98,528	100,349
Total assets		**345,943**	262,001	298,564
Equity				
Share capital	13	**773**	760	763
Share capital - to be issued	13	**8,679**	10,446	15,648
Share premium	13	**102,878**	102,158	102,225
Merger reserve	13	**44,342**	35,290	35,996
Foreign exchange reserve		**2,052**	(2,664)	(1,463)
Shares held in Employee Benefit Trust ("EBT")	13	**(1,997)**	(1,997)	(1,997)
Share option reserve		**10,685**	3,362	6,674
Retained earnings		**36,901**	27,694	34,529
		204,313	175,049	192,375
Non-controlling interest		**56**	-	-
Total equity		**204,369**	175,049	192,375
Current liabilities				
Trade payables		**7,068**	7,268	7,142
Other payables	15	**50,642**	32,850	41,153
Loans and borrowings	16	**46,584**	32,084	40,071
Corporation tax liabilities		**6,249**	2,877	6,665
Lease liability	18	**7,268**	-	-
		117,811	75,079	95,031
Non-current liabilities				
Other payables	15	**1,496**	1,035	1,062
Employee defined benefit plans		**1,489**	1,233	1,378
Loans and borrowings	16	**208**	45	230
Deferred tax liabilities		**7,196**	9,560	8,488
Lease liability	18	**13,374**	-	-
		23,763	11,873	11,158
Total equity and liabilities		**345,943**	262,001	298,564

^ Please note the comparative period to 30 June 2018 has been restated to reflect the Measurement Period Adjustment outlined in note 31 of the Annual Report 2018

The notes from page 15 onwards form an integral part of these consolidated financial statements.

Condensed Interim Consolidated Statement of Changes in Equity

	Share capital	Share capital - to be issued	Share premium	Merger reserve	Foreign exchange reserve	Shares held in EBT	Share option reserve	Retained earnings	Total attributable to owners of parent	Non-controlling Interest	Total equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 1 January 2018	**737**	**11,739**	**102,054**	**28,878**	**(3,504)**	**(1,997)**	**2,545**	**20,679**	**161,131**	**-**	**161,131**
Measurement period adjustment^	-	(119)	-	-	-	-	-	-	(119)	-	(119)
Balance at 1 January 2018 re-stated	**737**	**11,620**	**102,054**	**28,878**	**(3,504)**	**(1,997)**	**2,545**	**20,679**	**161,012**	**-**	**161,012**
Profit for the period	-	-	-	-	-	-	-	7,750	7,750	-	7,750
Other comprehensive income	-	-	-	-	840	-	-	(40)	800	-	800
Total comprehensive income for the period	-	-	-	-	840	-	-	7,710	8,550	-	8,550
Contributions by and contributions to the owners:											
Share option expense	-	-	-	-	-	-	817	-	817	-	817
Share options exercised	3	-	104	-	-	-	-	-	107	-	107
Dividends paid	-	-	-	-	-	-	-	(696)	(696)	-	(696)
Acquisition related issuance of shares	20	(1,174)	-	6,412	-	-	-	-	5,258	-	5,258
Contributions by and contributions to the owners	23	(1,174)	104	6,412	-	-	817	(696)	5,486	-	5,486
Balance at 30 June 2018	**760**	**10,446**	**102,158**	**35,290**	**(2,664)**	**(1,997)**	**3,362**	**27,694**	**175,049**	**-**	**175,049**
Profit for the period	-	-	-	-	-	-	-	7,153	7,153	-	7,153
Other comprehensive income	-	-	-	-	1,201	-	-	67	1,268	-	1,268
Total comprehensive income for the period	-	-	-	-	1,201	-	-	7,220	8,421	-	8,421
Contributions by and contributions to the owners:											
Share option expense	-	-	-	-	-	-	3,312	-	3,312	-	3,312
Share options exercised	-	-	67	-	-	-	-	-	67	-	67
Dividends paid	-	-	-	-	-	-	-	(384)	(384)	-	(384)
Acquisition related issuance of shares	3	5,202	-	706	-	-	-	-	5,911	-	5,911
Contributions by and contributions to the owners	3	5,202	67	706	-	-	3,312	(384)	8,906	-	8,906
Balance at 31 December 2018	**763**	**15,648**	**102,225**	**35,996**	**(1,463)**	**(1,997)**	**6,674**	**34,529**	**192,375**	**-**	**192,375**
Adjustment from adoption of IFRS 16	-	-	-	-	-	-	-	-	-	-	-
Adjusted balance at 31 December 2018	**763**	**15,648**	**102,225**	**35,996**	**(1,463)**	**(1,997)**	**6,674**	**34,529**	**192,375**	**-**	**192,375**
Profit for the period	-	-	-	-	-	-	-	3,132	3,132	(92)	3,040
Other comprehensive income	-	-	-	-	3,515	-	-	13	3,528		3,528
Total comprehensive income for the period	-	-	-	-	3,515	-	-	3,145	6,660	(92)	6,568
Contributions by and contributions to the owners:											
Share option expense	-	-	-	-	-	-	4,011	-	4,011	-	4,011
Share options exercised	4	-	543	-	-	-	-	-	547	-	547
Dividends paid	-	-	-	-	-	-	-	(773)	(773)	-	(773)
Acquisition related issuance of shares (note 13)	6	(6,969)	110	8,346	-	-	-		1,493	-	1,493
Liabilities on acquisition of AppSecTest	-	-	-	-	-	-	-	-	-	148	148
Contributions by and contributions to the owners	10	(6,969)	653	8,346	-	-	4,011	(773)	5,278	148	5,426
Balance at 30 June 2019	**773**	**8,679**	**102,878**	**44,342**	**2,052**	**(1,997)**	**10,685**	**36,901**	**204,313**	**56**	**204,369**

^ Please note the comparative period to 30 June 2018 has been restated to reflect the Measurement Period Adjustment outlined in note 31 of the Annual Report 2018

Condensed Interim Consolidated Statement of Cash Flows

	Note	**Unaudited** **26 weeks ended** **30 Jun 19** **€'000**	Unaudited 26 weeks ended 30 Jun 18 €'000	Audited 52 weeks ended 31 Dec 18 €'000
Cash flows from operating activities				
Profit after tax		**3,040**	7,750	14,903
Income and expenses not affecting operating cash flows				
Depreciation - property, plant and equipment	11	**3,168**	2,472	5,316
Depreciation - right of use assets	18	**3,467**	-	-
Intangibles amortisation	10	**3,491**	3,095	6,872
Income tax expense		**3,643**	3,088	7,191
Share option expense		**4,011**	817	4,129
Costs of acquisition and integration *		**2,804**	2,006	5,296
Disposal of property, plant and equipment		**-**	-	63
Unwinding of discounted liabilities - deferred consideration *	6	**177**	127	311
Unwinding of discounted liabilities - lease liability *		**338**	-	-
Interest receivable	6	**-**	(65)	66
Employee benefit costs		**138**	40	279
Interest expense *	6	**434**	144	502
Unrealised foreign exchange (gain) / loss *		**1,669**	(1,039)	(992)
		23,340	10,685	29,033
Changes in operating assets and liabilities				
Decrease / (increase) in trade receivables		**(5,521)**	(7,700)	(7,680)
Decrease / (increase) in MMTC and VGTC receivable		**(7,048)**	(4,341)	(370)
Decrease / (increase) in other receivables		**(5,129)**	1,366	2,850
(Decrease) / increase in trade and other payables		**4,320**	1,228	(252)
		(13,378)	(9,447)	(5,452)
Income taxes paid		**(3,769)**	(2,891)	(6,304)
Net cash provided by operating activities		**9,233**	**6,097**	32,180
Cash flows from investing activities				
Current year acquisition of subsidiaries net of cash acquired *	20	**(5,156)**	(9,899)	(24,163)
Prior year acquisition of subsidiaries net of cash acquired *		**-**	(726)	(726)
Settlement of deferred liabilities on acquisitions	15	**(1,808)**	(1,011)	(1,603)
Investment in associate		**-**	(114)	(226)
Acquisition of property, plant and equipment	11	**(5,061)**	(3,791)	(9,440)
Investment in intangible assets		**(332)**	-	(1,599)
Acquisition and integration cash outlay		**(1,677)**	(2,006)	(4,530)
Net cash used in investing activities		**(14,034)**	(17,547)	(42,287)
Cash flows from financing activities				
Repayment of loans	16	**(500)**	(853)	(10,835)
Payments of principal on lease liability	18	**(3,236)**	-	-
Interest paid on principal of lease liability	18	**(338)**	-	-
Loan to finance acquisitions	16	**7,001**	13,755	31,850
Dividends paid	9	**(773)**	(696)	(1,080)
Share options exercised	13	**547**	1,203	174
Interest paid		**(394)**	(144)	(502)
Net cash provided by financing activities		**2,307**	13,265	19,607
Increase / (decrease) in cash and cash equivalents		**(2,494)**	1,815	9,500
Exchange gain / (loss) on cash and cash equivalents		**386**	(5)	(3)
Cash and cash equivalents at beginning of the period		**39,871**	30,374	30,374
Cash and cash equivalents at end of period		**37,763**	32,184	39,871

* Please note that the comparative period to 30 June 2018 has been re-classified to reflect the presentation in the Annual Report 2018

Notes Forming Part of the Condensed Interim 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 30 June 2019. The Group was formed on 8 July 2013 when Keywords Studios PLC (formerly Keywords Studios Limited) acquired the entire share capital of Keywords International Limited through the issue of 31,901,332 ordinary shares.

The interim results for the 26 weeks ended 30 June 2019 and the 26 weeks ended 30 June 2018 are neither audited nor reviewed by our auditors and the accounts in this interim report do not therefore constitute statutory accounts in accordance with Section 434 of the Companies Act 2006. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the latest annual audited financial statements of Keywords Studios PLC for the year ended 31 December 2018, which have been filed with Companies House. The report of the auditors on those accounts was unqualified, did not contain any statements under Section 498 (2) or (3) of the Companies Act 2006 and did not contain any matters to which the auditors drew attention without qualifying their report.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the interim condensed consolidated financial statements.

Except as outlined in note 2, the same accounting policies, presentation and methods of computation are followed in these financial statements as were applied in the Keywords Studios PLC latest annual audited financial statements.

The interim financial statements made up to 30 June 2019 were approved by the Board of Directors on 17 September 2019.

2 Changes in Significant Accounting Policies

The Group has adopted new accounting standards which have become effective 1 January 2019, as follows:

Impact of IFRS 16 Leases
IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

From 1 January 2019, the Group now recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right of use asset), for all material lease arrangements over 12 months in duration. On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low value assets the Group has applied the optional exemptions to not recognise right of use assets but to account for the lease expense on a straight-line basis over the remaining lease term. For those leases previously classified as finance leases, the right of use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application. Instead of performing an impairment review on the right of use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16. The impact of the application of IFRS 16 is outlined in note 18.

The following is a reconciliation of operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	€m
Total operating lease commitments disclosed at 31 December 2018	**17**
Recognition exemptions:	
Leases of low value assets	-
Leases with remaining lease term of less than 12 months	**(1)**
Lease payments for expected lease renewals extending payments beyond the minimum lease payment period	**8**
	7
Operating lease liabilities before discounting	**24**
Discounted using incremental borrowing rate *	**(1)**
Operating lease liabilities	**23**
Finance lease obligations	-
Total lease liabilities recognised under IFRS 16 at 1 January 2019	**23**

* Weighted average incremental borrowing rate applied to lease liabilities on transition	**3.1%**

Impact of IFRIC 23
IFRIC 23 Uncertainty over Income Tax Positions, which was issued in June 2017, clarifies how to recognise and measure current and deferred income tax assets and liabilities when there is uncertainty over income tax treatments. The adoption of this standard has not had a material impact on the financial statements on transition to the new standard.

Other New Standards, Interpretations and Amendments effective 1 January 2019
Other accounting pronouncements which have become effective from 1 January 2019 have not had a material impact on the Group.

3 Significant Accounting Policies

These Financial Statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2018, with the exception of the issues highlighted in note 2 above.

IFRS 16 Leases

As described in note 2, the Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

Accounting policy applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. 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 the Group's incremental borrowing rate. 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.

Accounting policy applicable before 1 January 2019

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

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

4 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.

The judgements, estimates and assumptions applied in the Interim Financial Statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last Annual Financial Statements for the year ended 31 December 2018. The only exceptions are the estimate of tax liabilities which are determined in the Interim Financial Statements using the estimated annual effective tax rate applied to the pre-tax income of the interim period and the judgements related to lessee accounting outlined in note 3.

5 Revenue from Contracts With Customers and Segmental Analysis

Revenue from Contracts With Customers

Revenue by line of business	Unaudited 26 weeks ended 30 Jun 19 €'000	Unaudited 26 weeks ended 30 Jun 18 €'000	Audited 52 weeks ended 31 Dec 18 €'000
Game Development (previously Engineering)	**29,567**	8,886	26,161
Art creation	**22,245**	18,150	41,688
Audio	**17,815**	13,561	34,190
Functional testing	**31,815**	23,061	49,128
Localisation	**23,139**	21,395	43,983
Localisation testing	**10,288**	9,570	19,751
Player support	**18,321**	15,328	35,904
	153,190	109,951	250,805

Geographical analysis of revenues	Unaudited 26 weeks ended 30 Jun 19 €'000	Unaudited 26 weeks ended 30 Jun 18 €'000	Audited 52 weeks ended 31 Dec 18 €'000
Canada	**26,283**	30,792	69,536
United States	**24,747**	26,429	52,321
Ireland	**49,337**	17,774	47,203
United Kingdom	**20,242**	4,610	21,205
Switzerland	**8,411**	7,284	20,067
Italy	**6,056**	5,805	8,673
France	**3,430**	3,981	8,489
India	**2,225**	1,529	2,407
Japan	**7,051**	3,648	7,724
Spain	**775**	1,377	1,968
China	**339**	2,433	3,126
Singapore	**2,199**	2,392	5,046
Germany	**396**	479	741
Brazil	**422**	532	1,016
Mexico	**523**	886	936
Poland	**754**	-	347
	153,190	109,951	250,805

The value of undelivered performance obligations for contracts greater than one year in the current period was as follows:

	Total undelivered €'000	**Scheduled completion within 1 year €'000**	**Scheduled completion 1-2 years €'000**	**Scheduled completion 2-5 years €'000**
At 30 June 2019	**38,859**	**31,523**	**6,893**	**443**

Segmental Analysis

Geographical analysis of non-current assets from continuing businesses	**Unaudited**	Unaudited	Audited
	26 weeks ended	26 weeks ended	52 weeks ended
	30 Jun 19	30 Jun 18	31 Dec 18
		Restated^	
	€'000	€'000	€'000
Canada	**22,338**	9,254	11,760
Ireland	**4,694**	1,120	3,542
Switzerland	**12,264**	11,057	11,117
Italy	**12,554**	11,581	11,650
India	**2,723**	2,423	2,321
United States	**85,941**	91,509	84,685
Japan	**4,542**	635	796
United Kingdom	**48,656**	15,675	48,929
Spain	**5,776**	1,544	1,535
China	**8,999**	7,785	7,850
Singapore	**271**	34	52
Germany	**1,184**	1,130	1,097
Brazil	**1,303**	578	888
Mexico	**2,062**	903	885
France	**6,531**	6,420	6,318
Russia	**926**	756	797
Poland	**1,318**	54	267
Philippines	**2,356**	576	595
Netherlands	**66**	-	-
Taiwan	**4**	5	4
	224,508	163,039	195,088
Geographical analysis of non-current assets from continuing businesses	**224,508**	163,039	195,088
Investment in associate	**-**	114	160
Deferred tax assets	**3,340**	1,265	2,967
Non-current assets	**227,848**	164,418	198,215

^ Please note the comparative period to 30 June 2018 has been restated to reflect the Measurement Period Adjustment outlined in note 31 of the Annual Report 2018

6 Financing Income and Cost

	Unaudited 26 weeks ended 30 Jun 19	Unaudited 26 weeks ended 30 Jun 18 Restated ^	Audited 52 weeks ended 31 Dec 18
	€'000	€'000	€'000
Financing income			
Interest received	**-**	65	-
Foreign exchange gain	**-**	794	791
	-	859	791
Financing cost			
Bank charges	**(246)**	(232)	(503)
Interest expense	**(434)**	(144)	(502)
Unwinding of discounted liabilities - lease liability	**(338)**	-	-
Unwinding of discounted liabilities - deferred consideration*	**(177)**	(127)	(311)
Foreign exchange gain / (loss)	**(1,159)**	-	-
	(2,354)	(503)	(1,316)
Net financing income / (cost)	**(2,354)**	356	(525)

*Please note the comparative period to 30 June 2018 has been restated to separate "Unwinding of discounted liabilities - deferred consideration" from "Interest expense", to be consistent with the presentation in note 6 of the Annual Report 2018.

7 Seasonal Business

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

Revenue and Gross Profit for the twelve months up to the end of the interim period and comparative information for the prior twelve-month period are presented below, which include the post-acquisition results of acquisitions completed in the current year.

	Unaudited 52 weeks ended 30 Jun 19	Unaudited 52 weeks ended 30 Jun 18
	€'m	€'m
Revenue	**294**	198
Gross Profit	**110**	74

8 Earnings per Share

	Unaudited	Unaudited	Audited
	26 weeks ended	26 weeks ended	52 weeks ended
	30 Jun 19	30 Jun 18	31 Dec 18
	€ cent	€ cent	€ cent
Basic	**4.69**	12.10	23.16
Diluted	**4.50**	11.62	22.24
Adjusted Earnings per Share*	**18.36**	18.30	41.80

* Adjusted EPS for the periods endied 30 Jun 2018 and 31 Dec 2018 have been restated to be consistent with the revised 2019 calculation as presented on page 3 notes regarding alternative performance measures[4]

	€'000	€'000	€'000
Profit for the period from continuing operations	**3,040**	7,750	14,903

Denominator (weighted average number of equity shares)	**Number**	Number	Number
Basic*	**64,845,831**	64,027,256	64,335,162
Diluting impact of Share Options	**2,674,175**	2,692,147	2,679,932
Diluted*	**67,520,006**	66,719,403	67,015,094
* Includes (weighted average) shares to be issued	**733,900**	702,424	1,321,707

Contingently issuable Ordinary Shares are excluded from the computation of diluted earnings per Ordinary Share where the conditions governing exercisability have not been satisfied:

	Unaudited	Unaudited	Audited
	26 weeks ended	26 weeks ended	52 weeks ended
	30 Jun 19	30 Jun 18	31 Dec 18
	Number	Number	Number
LTIPs	**948,200**	978,600	951,800
Share options	**1,239,400**	568,500	544,900
	2,187,600	1,547,100	1,496,700

The revised calculation with restated prior periods of Adjusted Earnings per Share is based on the following:

	Unaudited	Unaudited	Audited
	26 weeks ended	26 weeks ended	52 weeks ended
	30 Jun 19	30 Jun 18	31 Dec 18
	€'000	€'000	€'000
Profit for the period from continuing operations	**3,040**	7,750	14,903
Cost of Acquisition & Integration	**2,804**	2,006	5,296
Share Option Expense	**4,011**	835	4,129
Amortisation of intangible assets	**3,491**	3,095	6,872
Foreign exchange (gain)/losses	**1,159**	(794)	(791)
Unwinding of discounted liabilities - deferred consideration	**177**	127	311
Non Controlling interest	**92**	n/a	n/a
Tax arising on the above items	**(2,870)**	(1,302)	(3,826)
Adjusted profit used for adjusted earnings per share for continuing operations	**11,904**	11,716	26,894

9 Dividends

Dividends paid	In respect of	Approval date	€ cent per share	Pence STG per share	Total dividend €'000	Payment date
Final	2018	May-19	1.21	1.08	773	Jun-19

Dividends recommended	In respect of		Expected € cent per share	Pence STG per share	Expected total dividend €'000	Expected payment date
Interim	2019		0.65	0.58	421	Oct-19

At 30 June 2019, Retained Earnings available for distribution (being retained earnings plus share option reserve) in the Company were €6.65m.

Following on distributions made in 2016 and 2017 that were not fully in compliance with the Companies Act 2006, the Directors have implemented legal advice to ensure ongoing compliance and rectify the oversights in earlier periods, which was envisaged in the Annual Report and Accounts 2018. Following the approval by shareholders of a specific resolution at the 2019 AGM, the Company entered into deeds of release, to put all relevant parties in the position where they were always intended to be, had the relevant dividends been made in accordance with the Act. Interim accounts for the Company have also been filed at Companies House to support the payment of an interim dividend in 2019.

10 Goodwill and Intangible Assets

Goodwill

The movement of the carrying value of goodwill in the period was as follows:

	Unaudited 26 weeks ended 30 Jun 19 €'000
Carrying amount at the beginning of the period	**154,202**
Recognition on acquisition of subsidiaries (note 20)	**7,001**
Exchange rate movement	**2,169**
Carrying amount at the end of the period	**163,372**

While the Group performs a full assessment of the carrying value of goodwill on an annual basis, at 30 June 2019 an interim assessment was made based on the same underlying assumptions used in the last annual report, using updated forecasts and projections. Based on this interim review of the value in use calculations, no impairment is required in the period.

Intangible assets

The movement of the carrying value of intangible assets in the period was as follows:

	Unaudited 26 weeks ended 30 Jun 19 €'000
Carrying amount at the beginning of the period	**25,884**
Recognition on acquisition of subsidiaries (note 20)	**150**
Other additions	**332**
Amortisation charge	**(3,491)**
Exchange rate movement	**185**
Carrying amount at the end of the period	**23,060**

Intangible assets are principally comprised of customer relationships. While the Group performs a full assessment of the carrying value of customer relationships and other intangible assets on an annual basis, at 30 June 2019 an interim assessment was made based on the same underlying assumptions used in the last annual report, using updated forecasts and projections. Based on this interim review of the value in use calculations no impairment is required in the period.

11 Property, Plant and Equipment

The movement of the carrying value of property, plant and equipment in the period was as follows:

	Unaudited 26 weeks ended 30 Jun 19 €'000
Carrying amount at the beginning of the period	**15,002**
Recognition on acquisition of subsidiaries (note 20)	**396**
Other additions	**5,061**
Depreciation charge	**(3,168)**
Exchange rate movement	**375**
Carrying amount at the end of the period	**17,666**

12 Trade and Other Receivables

	Unaudited	Unaudited	Audited
	30 Jun 19	30 Jun 18	31 Dec 18
	€'000	€'000	€'000
Trade receivables derived from contracts with customers	**44,058**	36,555	38,736
Provision for bad debts (i)	**(964)**	(329)	(1,717)
Financial asset held at amortised cost	**43,094**	36,226	37,019
Accrued income from contracts with customers	**8,029**	7,109	6,317
Prepayments and rent deposits	**3,002**	5,609	2,490
Other receivables	**4,534**	1,622	2,459
Multimedia tax credits / video games tax credits	**18,232**	14,357	10,820
Tax and social security	**3,441**	1,421	1,373
Other receivables - short term	**37,238**	30,118	23,459

(i) The movements in provision for bad debts in the current period were as follows:

	Unaudited
	26 weeks ended
	30 Jun 19
	€'000
Provision at the beginning of the period	**1,717**
Impairment of financial assets (trade receivables) charged to other administration expenses	450
Amounts written off against the provision in the period	(1,209)
Foreign exchange movement	6
Provision at end of the period	**964**
Credit loss experience	0.50%

(i) The composition of trade receivables at period end was as follows:

	Unaudited
	30 Jun 19
	€'000
Trade receivables gross	**44,058**
Credit impaired	**(748)**
Expected credit losses	**(216)**
At 30 June 2019	**43,094**

13 Share Capital

	Date	Per share €	Number of ordinary £0.01 shares issued	Number of ordinary £0.01 shares to be issued	Share capital €'000	Share premium €'000	Merger reserve €'000	Shares held in EBT €'000	Shares to be issued €'000
At 31 December 2018			**63,788,286**	**923,139**	**763**	**102,225**	**35,996**	**(1,997)**	**15,648**
Shares to be Issued on acquisition of Sunny Side Up	04-Jan	12.46	-	60,179	-	-	-	-	750
Shares issued on the anniversary of the acquisition of Sperasoft	18-Jan	16.48	243,442	(243,442)	2	-	4,010	-	(4,013)
Shares issued on the anniversary of the acquisition of Sperasoft re bonus to employees	18-Jan	14.13	7,801	-	-	110	-	-	-
Shares issued on the anniversary of the acquisition of Fire Without Smoke	30-May	20.12	77,006	(77,006)	1	-	1,548	-	(1,549)
Shares issued on the anniversary of the acquisition of Red Hot	04-Jun	9.12	160,297	(160,297)	2	-	1,461	-	(1,463)
Shares not issued on the anniversary of the acquisition of Red Hot	04-Jun	9.07	-	(545)	-	-	-	-	(5)
Shares to be issued on acquisition of Descriptive Video Works	12-Jun	17.93	-	35,560	-	-	-	-	638
Shares issued on the anniversary of the acquisition of Blindlight	21-Jun	20.57	64,521	(64,521)	1	-	1,327	-	(1,327)
Acquisition related issuance of shares			**553,067**	**(450,072)**	**6**	**110**	**8,346**	**-**	**(6,969)**
								-	
Issue of shares on exercise of share options			366,500	-	4	543	-	-	-
At 30 June 2019			**64,707,853**	**473,067**	**773**	**102,878**	**44,342**	**(1,997)**	**8,679**

14 Share Options

Share option scheme	**Average exercise price in £ per share**	**Number of options**
Outstanding at 31 December 2018	**7.11**	**1,832,701**
Granted	15.88	738,400
Lapsed	13.02	(44,690)
Exercised	2.80	(87,871)
Outstanding at 30 June 2019	**9.81**	**2,438,540**
Exercisable at 30 June 2019	**2.00**	**958,675**
Weighted Average Share Price at date of exercise	16.88	

Long term incentive plan scheme	**Average exercise price in £ per share**	**Number of options**
Outstanding at 31 December 2018	**0.01**	**2,677,467**
Granted	0.01	1,212,621
Lapsed	0.01	(13,200)
Exercised	0.01	(108,500)
Outstanding at 30 June 2019	**0.01**	**3,768,388**
Exercisable at 30 June 2019	**0.01**	**923,167**
Weighted Average Share Price at date of exercise	17.50	

15 Other Payables

	Unaudited	Unaudited	Audited
	30 Jun 19	30 Jun 18	31 Dec 18
	€'000	€'000	€'000
Current liabilities			
Accrued expenses	**21,697**	17,020	16,671
Payroll taxes	**3,553**	2,061	2,338
Other payables	**6,643**	8,116	3,890
Deferred and contingent consideration (i)	**18,749**	5,653	18,249
Related party payable (ii)	**-**	-	5
	50,642	32,850	41,153
Non-current liabilities			
Other payables	**1,383**	-	5
Deferred and contingent consideration (i)	**113**	1,035	1,057
	1,496	1,035	1,062

(i) The movements in deferred and contingent consideration (Level 3 input in the fair value hierarchy), in the current period were as follows:

	Unaudited
	26 weeks ended
	30 Jun 19
	€'000
Carrying amount at the beginning of the period	**19,306**
Consideration settled by cash	(1,808)
Unwinding of discount (note 6)	177
Additional liabilities from current year acquisitions (note 20)	112
Fair value adjustment	1,127
Translation adjustment	(52)
Carrying amount at the end of the period	**18,862**

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). On an undiscounted basis, the Group may be liable for deferred and contingent consideration ranging from €0m to a maximum of €22m. A 10% movement in expected performance results, has no impact on the fair value of the contingent consideration, and hence there are no reasonably probable changes to the assumptions and inputs (including the discount rate), that would lead to a material change to the fair value of the total amount payable.

The contractual maturities of the Group's deferred and contingent consideration liabilities were as follows:

	Unaudited
	30 Jun 19
	€'000
Not later than one year	**18,749**
Later than one year and not later than two years	**113**
Later than two years and not later than five years	**-**
	18,862

(ii) The related party transactions in the current period were as follows:

	Unaudited 26 weeks ended 30 Jun 19 €'000
Canteen charges	**30**
Rental payments	**12**

16 Loans and Borrowings and Capital Management

The movements in loans and borrowings (classified as financial liabilities, held at amortised cost under IFRS 9), in the current period were as follows:

	Unaudited 30 Jun 19 €'000
Carrying amount at the beginning of the period	**40,301**
Drawdowns	**7,001**
Repayments	**(500)**
Exchange rate movement	**(10)**
Carrying amount at the end of the period	**46,792**

At the period end the debt to capital and net debt ratios were as follows:

	Unaudited 30 Jun 19 €'000
Loans and borrowings	**46,792**
Less: cash and cash equivalents	**(37,763)**
Net debt / (net cash) position	**9,029**
Total equity	**204,313**
Net debt / (net cash) to capital ratio (%)	**4.4%**

Throughout the period, the Group operated well within the interest cover and leverage ratio terms of the facilities agreement.

17 Financial Instruments

During the period there has been no change in the measurement basis of the financial assets and liabilities shown in the Group Statement of Financial Position. The carrying amounts of the financial assets and liabilities are stated at amortised costs, with the exception of contingent consideration (note 15) held at fair value.

18 Leasing

The Group has entered into leases, across the business, principally relating to property. These property leases have varying terms and renewal rights.

Right of use assets

	Unaudited 26 weeks ended 30 Jun 19 €'000
Cost	
At 1 January 2019	-
Adjustments from adoption of IFRS 16	**22,750**
Additions	**412**
Acquisitions through business combinations at fair value	**262**
Currency revaluation	**450**
At 30 June 2019	**23,874**
Accumulated depreciation	
At 1 January 2019	**-**
Depreciation charge	**3,467**
Currency revaluation	**(3)**
At 30 June 2019	**3,464**
Net book value	
At 1 January 2019	**-**
At 30 June 2019	**20,410**

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 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:

	Unaudited 30 Jun 19 €'000
Short-term leases	**938**
Leases of low value assets	**-**
	938

The future minimum lease payments related to these leases at 30 June 2019 were as follows:

	Unaudited 30 Jun 19 €'000
Not later than one year	**713**
Later than one year and not later than five years	**-**
Later than five years	**-**
	713

Lease liability

The maturity analysis of the lease liability is as follows:

	Unaudited 30 Jun 19 €'000	Unaudited 30 Jun 19 €'000	Unaudited 30 Jun 19 €'000
	Lease payments	**Finance charges**	**Liability**
Not later than one year	**7,819**	**590**	**7,268**
Later than one year and not later than five years	**12,134**	**713**	**11,382**
Later than five years	**2,251**	**259**	**1,992**
	22,204	**1,562**	**20,642**

The value of leases not yet commenced to which the lessee is committed, which are not included in the lease liability at 30 June 2019, were €Nil.

The interest expense on the unwinding of the lease liability is presented in note 6, while the total cash outflow in relation to leases is presented in the Consolidated Statement of Cash Flows.

Impact analysis

The impact of IFRS 16 on certain key metrics is as follows:

	Unaudited 26 weeks ended 30 Jun 19 €'000	Unaudited 26 weeks ended 30 Jun 19 €'000	Unaudited 26 weeks ended 30 Jun 19 € cent
IFRS performance measure	**Operating Profit**	**Profit**	**Earnings Per Share**
Calculated with reference to reported performance	**9,037**	**3,040**	**4.69**
Unwinding of liability (note 6)	**-**	**338**	**0.52**
Depreciation (note 18)	**3,467**	**3,467**	**5.35**
Leases expenses now reported under IFRS 16	**(3,574)**	**(3,574)**	**(5.51)**
Calculated excluding the impact of IFRS 16	**8,930**	**3,271**	**5.05**

19 Investment in Associate

Reconciliation of carrying amount of Investment in Associate	Unaudited 26 weeks ended 30 Jun 19 €'000	Cumulative Ownership %
Carrying amount at the beginning of the period	**160**	30%
Additional investment	114	45%
Post-acquisition changes in the Group's share of net assets	-	
Recognised as a business combination (note 20)	(274)	
Carrying amount at the end of the period	**-**	

In May 2018, the Group, through the newly established Keywords Ventures Ltd, invested £100k (€114k) in 15% of the share capital of AppSecTest Limited. Incorporated in the UK, AppSecTest is creating a cloud based automatic testing solution for mobile apps, including games (principally for GDPR compliance). A further investment of £100K (€114K) was made in September 2018 bringing the total investment to 30% of the share capital of the company. Following on an additional investment 20 January 2019, the Group consider this to be a business combination, having acquired effective control over the entity.

20 Business Combinations / Acquisitions Completed in the Current Period

	Sunny Side Up	GetSocial (i)	Wizcorp	Descriptive Video Works	Other (ii)	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Date of acquisition	04-Jan-19	21-Feb-19	18-Apr-19	11-Jun-19		
Acquisition company jurisdiction	Canada	Netherlands	Japan	Canada		
Book value of identifiable assets and liabilities						
Property, plant and equipment	44	10	37	86	219	396
Intangible assets	-	125	25	-	-	150
Trade and other receivables - gross	84	-	352	165	2	603
Bad debt provision	-	-	-	-	-	-
Cash and cash equivalents	338	-	297	93	65	793
Trade and other payables	(218)	(19)	(847)	(83)	(16)	(1,183)
Net book value	248	116	(136)	261	270	759
Fair value adjustments						
Identifiable intangible assets - customer relationships	-	-	-	-	-	-
Right of use assets	-	-	178	84	-	262
Lease liabilities	-	-	(178)	(84)	-	(262)
Deferred tax liabilities	-	-	-	-	-	-
Total fair value adjustments	-	-	-	-	-	-
Total identifiable assets	248	116	(136)	261	270	759
Less non-controlling interest	-	-	-	-	(148)	(148)
Total identifiable assets attributable to the Group	248	116	(136)	261	122	611
Goodwill	3,845	54	1,088	1,862	152	7,001
Total consideration	4,093	170	952	2,123	274	7,612
% Share capital acquired	100%	n/a	100%	100%	45%	
Satisfied by:						
Cash	3,342	170	952	1,373	274	6,111
Deferred cash	-	-	-	112	-	112
Shares to be issued	751	-	-	638	-	1,389
Total consideration transferred	4,093	170	952	2,123	274	7,612
Number of shares						
Fixed amount agreed to be issued	60,179	-	-	35,560	-	95,739

Net cash outflow arising on acquisition	Sunny Side Up	GetSocial (i)	Wizcorp	Descriptive Video Works	Other (ii)	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Cash	3,342	170	952	1,373	112	5,949
Less: cash and cash equivalent balances transferred	(338)	-	(297)	(93)	(65)	(793)
Net cash outflow - acquisitions	3,004	170	655	1,280	47	5,156
Related acquisition costs charged through to the Consolidated Statement of Comprehensive Income	93	7	5	24	-	129
Pre-acquisition revenue in H1	-	25	656	558	-	1,239
Post-acquisition revenue	1,164	63	386	86	-	1,699
Pro forma revenue	**1,164**	**88**	**1,042**	**644**	**-**	**2,938**
Pre-acquisition profit / (loss) before tax	-	(23)	1	7	-	(15)
Post-acquisition profit / (loss) before tax	499	(45)	(99)	30	(167)	218
Pro forma profit / (loss) before tax	499	(68)	(98)	37	(167)	203

(i) We acquired the activities and net assets of GetSocial. This met the requirements of a business combination under IFRS 3
(ii) Other - relates to AppSecTest Limited which is now recognised as a business combination (note 19)

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, such as

- The experience and expertise in producing trailers for the marketing and support of video games in Sunny Side Up.
- The experience and expertise in social media technology for the games industry in GetSocial.
- The experience and expertise in engineering services in Wizcorp, in particular for the mobile development market in Japan.
- The experience and expertise in audio description services for broadcast and over the top streamed programming in Descriptive Video Works.

The goodwill that arose from these business combinations is not expected to be deductible for tax purposes.

21 Events after the Reporting Date

Acquisition of TV+SYNCHRON Berlin GmbH

On 17 September 2019, Keywords Germany Holdings GmbH agreed to acquire the entire issued share capital of TV+SYNCHRON Berlin GmbH ("TVS") with an effective date of 1st of October 2019. Based in Berlin, Germany, TVS is a leader in dubbing and localizing content into German across a wide range of entertainment formats with a track record spanning over 25 years. The total consideration for the acquisition is €3.7m, of which €2.8m to be paid in cash on completion, and €0.9m to be met through the issue of new ordinary shares in Keywords on the first anniversary of the acquisition, which will then be subject to orderly market provisions for a further 12 months.