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09 April 2018

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

Full year results for the year to 31 December 2017

Another excellent performance reflecting strong organic and acquisitive growth

Keywords Studios, the international technical services provider to the global video games industry, today provides its full year results for the year to 31 December 2017.

Financial overview:

- Group revenue (including effect of acquisitions) increased by 57% to €151.4m (2016: €96.6m)
- Adjusted EBITDA* up 57% to €26.3m (2016: €16.7m), representing a margin of 17.4% (2016: 17.3%)
- Adjusted profit before tax* increased by 55% to €23.0m (2016: €14.9m)
- Adjusted basic earnings per share* up by 52% to 31.18c (2016: 20.59c)
- Adjusted operating cash generation** increase of 48% to €21.9m (2016: €14.8m)
- Net cash*** of €11.1m (2016: €8.7m)
- Final dividend of 0.98p (2016: 0.89p); 10% increase in total dividend to 1.46p per share (2016: 1.33p)

Operational overview:

- 15.1% increase in like for like**** revenue
- 11 acquisitions completed to expand our existing services lines (including a new engineering service line) and extend our geographical reach, including our two largest acquisitions to date:
    - Acquisition of VMC in October for $66.4m giving the Group leadership in functional testing in North America, significantly increased our presence in player support services, added new service delivery models including Embedded Technical Services and the Global Beta Test Network
    - Acquisition of Sperasoft in December for $27m brought strength in co-development, extended our Engineering and Art capabilities, and provided entry points into Eastern Europe
- Good progress made with integrating acquisitions, with multiple operations being integrated together in Paris, Mexico City, Seattle and Madrid
- Invested in adding capacity for organic growth across multiple studios
    - Continued success in cross-selling our extended services with a 45% increase in clients using three or more services from 64 to 93

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

***cash flow from operations plus acquisition related expenses of €3.0 (2016: €1.3m), plus exceptional working capital costs related to the VMC acquisition of €3.0m (2016: nil), plus €2.3m in VMC receipts held by a third party on behalf of the Group and passed to the Group post year end. In the comparative year, multimedia tax credits (MMTC) of €1.6m were received in respect of claims prior to 2015*

****after payment of €87.0m net cash consideration for acquisitions (2016: €21.1m), €3.0m of acquisition costs and integration expenses (2016: €1.3m), and £75.0m raised (before expenses) via an equity placing (2016: nil).*

***** calculated on the basis of revenues being included for 2017 acquisitions from the date of acquisition and for the equivalent period in the prior year.*

Current trading and outlook:

- Acquisitions announced separately today:
  - o Cord Worldwide Limited and Laced Music Limited for a total consideration of £4.5m
  - o Maximal Studio for an initial cash consideration of €0.3m and €0.2m deferred subject to performance
- The typically quieter first quarter has seen activity levels in line with our expectations and the positive momentum in the business gives us confidence in the outcome for the full year
- Encouraging early wins for new co-development services
- Agreed heads of terms for a revolving credit facility of up to €105m
- Acquisition pipeline remains healthy

Andrew Day, Chief Executive of Keywords Studios, commented:

"The Group has delivered another strong performance with good organic growth supplemented by a number of acquisitions including two of our largest acquisitions to date.

"Our organic investment and acquisitions have added significant scale to our existing service lines and extended both our service range and geographical reach, establishing a new Engineering service line, bringing additional capabilities in co-development, content management, and delivering services from within clients' premises, and providing us with a presence in Eastern Europe.

"We entered 2018 with pro forma revenues of €225m, across seven service lines and 42 studios in four continents, compared to just over €16m derived from four service lines and five studios in 2013 - the year of our IPO.

"We expect to make continued strong progress as we realise the full benefits of our enhanced services platform and with the financing in place to support further organic and acquisitive growth in 2018."

A presentation of the full year results will be made to analysts at 9.30am today 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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Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014) prior to its release as part of this announcement.

Notes to Editors

Keywords Studios is an international technical services provider to the global video games industry. Established in 1998, and now with over 40 facilities in 20 countries strategically located in Asia, the Americas and Europe, it provides integrated art creation, software engineering, testing, localisation, audio and customer care services across more than 50 languages and 16 games platforms to a blue-chip client base in more than 15 countries. It has a strong market position, providing services to 23 of the top 25 most prominent games companies, including Activision Blizzard, Bandai Namco, Bethesda, Electronic Arts, Konami, Riot Games, Sony, Square Enix, Supercell, TakeTwo, and Ubisoft. Recent titles worked on include Uncharted 4: A Thief's End, Call of Duty: Infinite Warfare, Mortal Combat X, Assassin's Creed Syndicate, Battlefield 1, Overwatch, World of Warcraft: Legion, Hearthstone, Clash Royale, and Mobile Strike. Keywords Studios is listed on AIM, the London Stock Exchange regulated market (KWS.L).

www.keywordsstudios.com

Chairman's Statement

Significant growth globally

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

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

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

Managing and Funding Growth

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

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

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

People and Board

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

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

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

Dividend

In line with our progressive dividend policy, and allowing for the need to retain resources to fund future growth of the Group's business and its strategic aims, the Board is pleased to recommend a final dividend of 0.98p per share which, following the interim dividend payment of 0.48p per share, will make the total dividend for the year ending 31 December 2017 1.46p per share, an increase of 10% compared to 2016.

Summary and Outlook

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

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

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

Ross Graham
Chairman

9 April 2018

Strategic Report and Chief Executive's Review

An excellent performance and a strengthened services platform

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

Delivering on Our Strategy

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

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

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

2017 Acquisitions

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

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

We have also successfully extended our geographic reach adding operations in Eastern Europe for the first time through our acquisition of Sperasoft, giving us access to talent in a market known for strong technical skills, particularly in software development. Sperasoft brought with it scale and expertise in Engineering and Art services, with a particular strength in co-development in which significant parts of or even full games are developed on behalf of game developers or publishers. This further enhances our positioning as a strategic partner to game developers and publishers who are increasingly relying upon co-development arrangements to provide them with broader development support for their games that are increasingly bigger and higher definition, whilst we continue to ensure we are not directly exposed to the commercial performance of individual titles. We expect to be able to grow this way of working with our clients, combining Sperasoft's strength in co-development with our broader service range for a more integrated service delivery.

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

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

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

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

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

Organic Growth and Investment

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

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

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

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

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

Service Line review

Art Creation (17% of Group revenues in the year)
Art Creation services revenue grew 58% to €26.2m (2016: €16.6m). On a like-for-like basis, Art grew by 14% year on year, reflecting a year in which Lakshya Digital consolidated the very strong growth of 2015 and 2016 and the remaining studios made good progress including Red Hot which we acquired in May. Including Sperasoft, we concluded the year with over 1,000 artists on our payroll of which the majority are in India and China. Through Liquid Development and Volta we manage further pools of freelance artists numbering about 200 in total. This talent base makes Keywords one of the largest art services businesses in the highly fragmented global video games art services market.

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

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

Engineering (2% of Group revenue for the year)
With Sperasoft only being included since December, d3t from October and GameSim from May, our Engineering service line is being built through acquisition in much the same as we have built our Art Creation service line which started in October 2014 with the acquisition of Lakshya Digital. We have had some very early successes with cross selling our engineering capabilities into clients who use other Keywords services and we look forward to continuing to build our Engineering service line in 2018 and beyond.

Audio (14% of Group revenue for the year)
Our Audio service line increased revenues by 20% to €20.7m (2016: €17.3m) including contributions from La Marque Rose, Around the Word, Dune Sound and asrec, all of which were acquired in August and Lola which was acquired in December. On a like-for-like basis, revenues in our Audio service line declined by approximately 10%, in part reflecting the exceptionally strong performance of Synthesis in the prior year. Also, the video games voice actors' strike which effected the video games voice recording market in Los Angeles was resolved in September 2017 and we look forward to more buoyant conditions there in 2018.

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

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

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

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

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

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

The business produced around 250 million translated words during the year as our Localisation service line continued to benefit from the trend towards 'games as a service' which necessitates fresh content being added to the game on a frequent basis to expand the game worlds and keep players engaged. Another driver of growth has been eSports where our localisation expertise has been called upon for the production of marketing content, customer support materials and "live translation" of event content. We are the leading localisation provider for video games and enjoy a strong position in the fast-growing mobile games segment of the market, where content additions to the many leading games that we support result in continuous localisation work for the Group in as many as 30 languages.

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

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

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

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

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

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

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

People

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

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

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

Current Market Trends

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

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

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

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

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

Outlook

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

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

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

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

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

Andrew Day
Group Chief Executive Officer

9 April 2018

Financial and Operating Review

Group performance

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

Revenue mix

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

	Year ended 31 Dec '17	Year ended 31 Dec '16	Pro forma* for the year ended 31 Dec '17	Pro forma* for the year ended 31 Dec '17
	%	%	%	€'m
Functional Testing	19.8	8.9	23.3	52.2
Localisation Testing	13.1	16.8	10.0	22.5
Localisation	27.7	33.5	19.5	43.9
Audio	13.6	17.9	11.7	26.3
Customer Support	6.1	5.8	11.7	26.3
Art Creation	17.3	17.1	14.1	31.6
Engineering	2.4	-	9.7	21.7
Total	100	100	100	224.5

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

Revenue

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

Gross margin

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

Adjusted EBITDA

Adjusted EBITDA is a measure of operating profit used by the Board, which excludes depreciation, amortisation, share option expenses and one-time costs related to acquisitions. For 2017, Adjusted EBITDA increased 57% to €26.3m compared with €16.7m for 2016. As a percentage of revenue, Adjusted EBITDA has been maintained at 17.4% compared to 17.3% for 2016.

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

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

	Year Ended 2017 €'000s	Year Ended 2016 €'000s
Statutory profit before tax	11,994	9,435
Add back costs excluded from Adjusted profit before tax*	11,049	5,368
Add back loss attributable to non-controlling interest	0	61
Adjusted profit before tax	23,043	14,864
Add back Depreciation and Interest	3,282	1,861
Adjusted earnings before Interest, tax, depreciation and amortisation	26,325	16,725

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

Net finance costs

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

Adjusted Profit before Tax

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

Taxation

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

Basic earnings per share

Basic earnings per share for the year, before one-time costs of acquisitions and integration, share option charges, amortisation of intangibles, and foreign exchange movements, increased by 52% to 31.18c compared with 20.59c for 2016. Basic earnings per share based on the statutory profit after tax was 12.37c (2016: 11.22c).

Cash flow and debt

The Group generated operating cash flow of €13.6m for the year, down from €15.0m in 2016. A better measure of underlying cash flow is Adjusted operating cash generation, which was €21.9m in 2017, up from €14.8m in the prior year. This figure is cash flow from operations plus acquisition related expenses of (2016: €1.3m), plus exceptional working capital costs related to the VMC acquisition of €3.0m (2016: nil), plus €2.3m in VMC receipts held by a third party on behalf of the Group and passed to the Group post year end. In the comparative year, multimedia tax credits (MMTC) of €1.6m were received in respect of claims prior to 2015.

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

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

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

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

Foreign exchange

Keywords does not hedge foreign currency profit and loss translation exposures. The effect on the Group's results of movements in exchange rates and the foreign gains and losses incurred during the year, which mainly relate to the effect of translating net current assets held in foreign currencies

Dividend

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

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

Events after the reporting period

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

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

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

Key performance indicators

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

Financial performance is measured by:

Revenue growth

Revenue growth is measured by line of business and overall against the Board's strategic goal to grow organically and by acquisition.

Gross profit

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

Operating costs

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

Adjusted EBITDA margin

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

Adjusted operating profit margin

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

Non-financial performance is measured by:

Resource deployment

The Board reviews the efficiency at which the Group is utilising its staff resources to ensure optimum staffing strategies are deployed and to maximise utilisation rates.

Business won/lost

The Board reviews the levels of new business won and lost, and monitors the reasons for both, to ensure that the services being offered to the market are appropriately priced and relevant.

Customer satisfaction and quality of service delivery

The Board monitors the quality and timeliness of service delivery on an ongoing basis and reviews the level of repeat revenue from existing customers, as a key measure of customer satisfaction.

David Broderick
Chief Financial Officer

9 April 2018

Consolidated Statement of comprehensive income

		Years ended 31 December	
	Note	2017 €'000	2016 €'000
Revenues	4	151,430	96,585
Cost of Sales	5	(96,345)	(59,907)
Gross profit		55,085	36,678
Share option expense	17	(1,426)	(686)
Costs of acquisition and integration		(3,016)	(1,316)
Amortisation of intangible assets		(3,038)	(1,629)
Total of items excluded from Adjusted profit measures		(7,480)	(3,631)
Other administration expenses		(31,170)	(21,588)
Administrative expenses		(38,650)	(25,219)
Operating profit		16,435	11,459
Financing income	6	26	94
Financing cost	6	(4,467)	(2,118)
Profit before taxation		11,994	9,435

Tax expense	7	(4,731)	(3,223)
Profit		7,263	6,212
Other comprehensive income:			
Items that will not be reclassified subsequently to profit of loss			
Exchange gains / (loss) on capital investments		(893)	-
Actuarial loss on defined benefit	19	(25)	(63)
Items that may be reclassified subsequently to profit of loss			
Exchange gains / (loss) on translation of foreign operations		(3,598)	489
Total comprehensive income:		2,747	6,638
Profit for the period attributable to:			
Owners of the parent		7,263	6,273
Non-controlling interest		-	(61)
		7,263	6,212
Total comprehensive income attributable to:			
Owners of the parent		2,747	6,699
Non-controlling interest		-	(61)
		2,747	6,638
Earnings per share		€ cent	€ cent
Basic earnings per ordinary share (€ cent)	8	12.37	11.22
Diluted earnings per ordinary share (€ cent)	8	11.87	10.87

The notes set from page 20 onwards form an integral part of these consolidated financial statements.

On Behalf of the Board

Andrew Day, Director **David Broderick, Director**

Date: ______________________________

Consolidated Statement of financial position

	Note	**2017**	2016
		€'000	€'000
Non-current assets			
Property, plant and equipment	13	**10,111**	5,498
Goodwill	11	**109,007**	46,799
Intangible assets	12	**23,548**	8,696
Deferred tax assets	26	**1,206**	880
		143,872	61,873
Current assets			
Trade receivables	14	**27,473**	13,879
Other receivables	15	**22,335**	7,778
Cash and cash equivalents		**30,374**	17,020
		80,182	38,677
Total assets		**224,054**	100,550
Equity			
Share capital	16	**737**	654
Share capital - To Be Issued		**11,739**	8,792
Share premium		**102,054**	19,983
Merger reserve		**28,878**	22,109
Foreign exchange reserve		**(3,504)**	987
Treasury shares held in EBT		**(1,997)**	(1,434)
Share option reserve		**2,545**	1,305

Retained earnings		**20,679**	14,308
		161,131	66,704
Non-controlling interest		**-**	-
Total equity		**161,131**	66,704
Current Liabilities			
Trade payables		**7,310**	4,822
Other payables	18	**23,005**	12,431
Loans and Borrowings	20	**18,943**	8,025
Corporation tax liabilities		**3,245**	2,552
		52,503	27,830
Non-current liabilities			
Other payables	18	**1,233**	1,592
Employee Defined Benefit	19	**1,055**	826
Loans and Borrowings	20	**337**	345
Deferred tax liabilities	26	**7,795**	3,253
		10,420	6,016
Total equity and liabilities		**224,054**	100,550

The notes on set on page 20 onwards form an integral part of these consolidated financial statements. The financial statements were approved and authorised for issue by the Board on 9 April 2018.

On Behalf of the Board

Andrew Day
Director

David Broderick
Director

Date: ______________________

Consolidated Statement of Changes in Equity

	Share capital €'000	Shares to be issued €'000	Share premium €'000	Merger reserve €'000	Foreign exchange reserve €'000	Treasury shares held in EBT €'000	Share option reserve €'000	Retained earnings €'000	Total attributable to equity holders of parent €'000	Non Controlling Interest €'000	Total equity €'000
Balance at 1 January 2016	646		18,542	22,109	498	(804)	619	10,293	51,903	(1,309)	50,594
Profit for the period								6,273	6,273	(61)	6,212
Other comprehensive income					489			(63)	426		426
Total comprehensive income for the period					489			6,210	6,699	(61)	6,638
Contributions by and contributions to the owners:											
Share option expense							686		686		686
Share Options Exercised						(632)			(632)		(632)
Dividends paid								(825)	(825)		(825)
Treasury shares ringfenced for EBT						2			2		2
Shares issued for cash	4		643						647		647
Shares issued upon acquisition - Volta Creation Inc	1		169						170		170
Shares to be issued (Synthesis Acquisition)		6,906							6,906		6,906
Shares to be issued (Mindwalk Acquisition)		1,886							1,886		1,886
Elimination of Minority Interest in Kite Team								(1,370)	(1,370)	1,370	
Shares Issued on settlement with Kite Team	1		149						150		150
Keywords France Incorporation											
Shares issued upon acquisition - Player Research Ltd	1		331						332		332
Shares issued upon acquisition - Sonox											

Audio Solutions SL			149						149		149
Contributions by and contributions to the owners	7	8,792	1,441			(630)	686	(2,195)	8,102	1,370	9,472
Balance at 31 December 2016	**653**	**8,792**	**19,983**	**22,109**	**987**	**(1,434)**	**1,305**	**14,308**	**66,704**		**66,704**
Profit for the period								7,263	7,263		7,263
Other comprehensive income					(4,491)			(25)	(4,516)		(4,516)
Total comprehensive income for the year					(4,491)			7,238	2,747		2,747
Contributions by and contributions to the owners:											
Shares issued for cash	61		82,261						82,322		82,322
Share Option Expense							1,240		1,240		1,240
Share Options Exercised	6		608			(563)			51		51
Dividends paid (note 9)								(867)	(867)		(867)
Shares issued upon acquisition - Xloc Inc				184					184		184
Shares issued upon acquisition - GameSim Inc	2			1,392					1,394		1,394
Shares issued upon acquisition - Lola				168					168		168
Shares issued upon acquisition - D3T				686					686		686
Shares issued upon acquisition - asrec				101					101		101
Shares Issued on deferred settlement with Synthesis Group	14	(3,454)		3,440							
Shares to be issued (Red Hot Acquisition)		1,468							1,468		1,468
Shares to be issued (Sperasoft Acquisition)		4,133							4,133		4,133
Shares to be issued (Around The Word & Dune Sound Acquisition)		800							800		800
Reclassification of share premium on acquisitions to merger reserve			(798)	798							
Contributions by and contributions to the owners	83	2,947	82,071	6,769	(4,491)	(563)	1,240	6,371	94,427		94,427
Balance at 31 December 2017	**737**	**11,739**	**102,054**	**28,878**	**(3,504)**	**(1,997)**	**2,545**	**20,679**	**161,131**		**161,131**

Consolidated statement of cash flows

	Note	2017 €'000	2016 €'000
		Years ended 31 December	
Cash flows from operating activities			
Profit/(loss) after tax		**7,263**	**6,212**
Income and expenses not affecting operating cash flows			
Depreciation	13	2,730	1,803
Intangibles amortisation	12	3,038	1,629
Income tax expense	7	4,731	3,223
Share option expense	17	1,426	686
Loss on disposal of fixed assets		103	-

Fair Value Adjustment on deferred consideration		190	264
Interest receivable		(26)	(94)
Employee Benefit Costs		209	63
Interest expense		388	152
Unrealised Foreign Exchange Losses		2,033	55
		14,822	**7,781**
Changes in operating assets and liabilities			
Decrease/ (Increase) in trade receivables		2,506	(3,788)
(Increase)/ Decrease in other receivables		(5,413)	3,245
(Decrease)/ Increase in trade and other payables		(82)	3,718
		(2,989)	**3,175**
Income taxes paid		(5,454)	(2,129)
Net cash provided by operating activities		**13,642**	**15,039**
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired		(86,776)	(19,109)
Acquisition of remaining 50% of Kite		-	(1,000)
Settlement of deferred liabilities on acquisitions		(298)	(995)
(Acquisition)/disposal of short term investments		-	27
Acquisition/disposal of property, plant and equipment	13	(3,803)	(2,306)
Interest received		26	94
EBT share purchase		-	2
Net cash used in investing activities		**(90,851)**	**(23,287)**
Cash flows from financing activities			
Loan to finance Multi Media Tax Credits		-	(1,157)
Repayment of loans	30	(23)	(625)
Loan to finance acquisitions	30	10,250	8,000
Dividends paid	9	(867)	(825)
Financing EBT for share options exercised		(563)	(632)
Shares issued		82,936	643
Share issuance expenses		-	-
Interest paid	6	(279)	(152)
Net cash used in financing activities		**91,454**	**5,252**
Increase / (Decrease) in cash and cash equivalents		14,245	(2,996)
Exchange (loss)/gain on cash and cash equivalents		(891)	998
Cash and cash equivalents at beginning of the period		17,020	19,018
Cash and cash equivalents at end of period		**30,374**	**17,020**

Notes Forming part of the Consolidated Financial Statements

1 **Basis of preparation**

Keywords Studios plc (the "Company") is a company incorporated in the UK. The consolidated financial statements in this announcement include the financial statements of the Company and its subsidiaries (the "Group") made up to 31 December 2017. The Group was formed on 8 July 2013 when Keywords Studios Plc (formerly Keywords Studios Limited) acquired the entire share capital of Keywords International Limited through the issue of 31,901,332 ordinary shares.

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

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

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

New Standards, Interpretations and Amendments Effective from 1 January 2017

The group has applied the requirements of IAS7, Disclosure Initiative, effective from 1 January 2017. The disclosures are included within Note 30.

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

New Standards, Interpretations and Amendments not yet Effective

Impact of IFRS 9

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

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

Financial Assets

The majority of the group's financial assets include;

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

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

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

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

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

Financial Liabilities

The most significant of the group's financial liabilities include;

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

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

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

Impact of IFRS 15

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

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

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

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

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

2 Significant accounting policies

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

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

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

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

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

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

Business Combinations
The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Consolidated Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the

acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained. They are deconsolidated until the date on which control ceases.

Any contingent consideration payable is recognised at fair value at the acquisition date and is split between current liabilities and long-term liabilities depending on when it is due. At each balance sheet date the fair value of the contingent consideration will be revalued and any change will be recognised in the statements of comprehensive income.

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

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

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

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

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

Intangible Assets
Intangible assets, separately identified from goodwill acquired as part of a business combination, are initially stated at fair value. The fair value attributed is determined by discounting the expected future cashflows to be generated from net margin on the business from the main customers taken on at acquisition. The assets are amortised over their useful economic lives, which is deemed to be 5 years.

There are no intangible assets with indefinite useful lives.

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

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

The Group has one CGU. This CGU represents the lowest level at which goodwill is monitored by the Group and the lowest level at which management captures information for internal management reporting purposes about the benefits of the goodwill. Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

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

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

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

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

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

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

Revenue Recognition
Revenue recognised represents the consideration received or receivable for the rendering of services, net of sales taxes, rebates discounts and after eliminating intercompany sales. Services are provided based on agreed client instructions and when projects are in progress at the period end, revenue is recognised to the extent that services have been provided net of any provisions.

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

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

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

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

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

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

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

Where share-based payments are issued to employees of subsidiary companies, the annual cost of the option is expensed in the holding company, and recharged to the subsidiary company through intercompany charge.

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

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

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

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

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

Financial Assets

Loans and Receivables

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

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

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

Cash and cash equivalents are necessary for the working capital requirements of the group. They include cash in hand, deposits held at call with banks and other short term highly liquid investments. Where cash is on deposit with maturity dates greater than three months, it is disclosed as short-term investments.

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

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

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

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

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

3 Critical accounting estimates and judgements

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

The areas requiring the use of estimates and critical judgements that may significantly impact the Group's earnings and financial position the computation of income taxes, the value of goodwill and intangible assets arising on acquisitions, the valuation of multi media tax credits and the valuation of the defined retirement benefits for employees in italy. Estimates and judgements are continually evaluated and are based on historic experience and other factors including expectations of future events that are believed to be reasonable. Actual results may differ from these estimates and assumptions.

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

Goodwill and Intangible Assets Arising on Acquisition
The value of goodwill and intangible assets recognised on the Group's acquisitions during 2017, at €67m and €19m respectively, were derived from the projected cashflows for those businesses at the time of acquisition, the balance sheet information provided and on management forecasts. The accuracy of the valuation would therefore be compromised by any differences between the forecasts and the levels of business activity that the entity may be able to generate.
On an annual basis, the full value of intangibles is assessed through an impairment review.

Multi Media Tax Credits

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

Employee Defined Retirement Benefit

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

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

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

4 Segmental analysis

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

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

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

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

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

Revenue by line of business

	Years ended 31 December	
	2017	**2016**
	€'000	**€'000**
Revenue by line of business		
Art creation	26,193	16,559
Audio	20,657	17,263
Localisation	41,959	32,360

Functional testing	30,033	8,619
Localisation testing	19,848	16,204
Customer support	9,168	5,580
Engineering	3,572	-
	151,430	**96,585**

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

Geographical Analysis of Revenues by Jurisdiction

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

	31 Dec 17 €'000	31 Dec 16 €'000
Canada	45,648	22,053
Ireland	34,277	25,570
Switzerland	19,565	17,838
Italy	10,029	7,269
India	5,177	4,591
United States	12,199	5,250
Japan	6,352	4,886
United Kingdom	2,467	1,276
Spain	2,194	2,167
China	3,685	24
Singapore	4,451	4,787
Germany	928	163
Brazil	520	619
Mexico	180	92
France	3,758	-
Russia	-	-
Poland	-	-
Philippines	-	-
Taiwan	-	-
Total revenues	**151,430**	**96,585**

Geographical Analysis of Non - Current Assets from Continuing Businesses

Segmental analysis

Geographical Analysis of Non-current Assets from Continuing Businesses

	31 Dec 17 €'000	31 Dec 16 €'000
Canada	8,889	8,937
Ireland	1,064	4,779
Switzerland	11,158	12,657
Italy	11,723	12,188
India	2,588	2,991
United States	77,177	8,657
Japan	565	43
United Kingdom	10,011	6,874
Spain	1,520	1,475

China	7,707	287
Singapore	42	60
Germany	1,168	1,241
Brazil	231	259
Mexico	892	121
France	6,531	424
Russia	866	-
Poland	58	-
Philippines	472	-
Taiwan	4	-
	142,666	**60,993**

5 Cost of Sales & Operating Profit

Cost of Sales	**2017 €'000**	**2016 €'000**
Staff Costs	98,850	61,232
Multi-Media Tax Grant income	(4,408)	(2,289)
Other Direct Costs	1,903	964
	96,345	**59,907**

Operating profit is stated after charging:	Years ended 31 December	
	2017	2016
	€'000	€'000
Depreciation	2,730	1,803
Amortisation of Intangible Assets	3,038	1,630
Costs of Acquisitions & Integration	3,016	1,316
Operating lease repayments	2,369	2,371

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

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

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

6 Financing income and costs

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

7 Taxation

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

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

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

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

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

Tax effects relating to each component on other comprehensive income

	2017 €'000	2016 €'000
Exchange loss on capital investments	(893)	-
Tax (expense) / benefit	-	-
	(893)	-

Actuarial loss on defined benefit plans	(25)	(63)
Tax benefit	7	18
Net of Tax Amount	(18)	(45)
Exchange (loss) / gain on translation of foreign operations	(3,598)	489
Tax benefit / (expense)	-	-
Net of Tax Amount	(3,598)	489

8 Earnings per share

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

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

The dilutive impact of share options has been considered in calculating diluted earnings per share. Details of the number of share options outstanding at the year-end are set out in note 17.

9 Dividends

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

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

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

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

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

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

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

10 Staff Costs

Total staff costs (including Directors) comprise the following:

Group	**2017 €'000**	**2016 €'000**
Salaries & Related Costs	81,563	41,643
Share Based Payment Costs	1,426	686
	82,989	42,329

Key management compensation:

	2017 €'000	**2016 €'000**
Salaries & Related Costs	690	769
Social Welfare Cost	79	97
Pension Cost	4	29
Share Based Payment Costs	141	42
	914	**937**

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

Group	**2017**	**2016**
Average Number of Employees		
Operations	2,921	1,688
General & Administration	246	130
	3,167	1,818

11 Goodwill

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

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

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

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

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

	1-5 Year Growth Rate	Gross Margin	Operating Expense Growth	Effective Tax Rate
Experience in 2017	15%	36.4%		20.5%
Assumptions Used	**10%**	**36.4%**	**6%**	**20%**
Change in each assumption that would bring the recoverable amount to the carrying amount	*(12%)*	*(12%)*	*16%*	*51%*

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

As part of the value in use calculation, management prepared an initial cash flow forecast, approved by the Board of Directors, covering the period to 31 December and the following five years. The long-term growth rate of 2% has been used to determine a terminal value for the CGU.

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

12 Intangible Assets - Customer Relationships

Cost	€'000
At 1 January 2016	5,132
Additions	6,509
Revaluation on Exchange Rate Movement	(11)
At 31 December 2016	11,630
Recognition on acquisition of subsidiaries	18,962
Exchange Rate Movement	(1,310)
At 31 December 2017	29,282
Amortisation & Impairment	
At 1 January 2016	1,350
Amortisation Charge	1,629
Revaluation on Exchange Rate Movement	(45)
At 31 December 2016	2,934

Amortisation Charge	3,038
Exchange Rate Movement	(238)
At 31 December 2017	5,734
Net Book Value	
At 31 December 2016	8,696
At 31 December 2017	23,548

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

13 Property, plant and equipment

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

14 Trade Receivables

Group	**2017 €'000**	**2016 €'000**
Customers	27,891	14,347
Provision for Bad Debts	(418)	(468)

	27,473	**13,879**

15 Other Receivables

	As of 31 December	
Group	**2017**	**2016**
	€'000	**€'000**
Accrued Income	5,140	1,661
Prepayments	3,255	1,769
Other receivables	3,958	994
Multi Media Tax Credits, Canada	10,016	3,008
Other Tax and Social Security	(34)	346
	22,335	**7,778**

16 Shareholder's Equity

Share Capital

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

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

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

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

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

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

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

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

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

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

Shares held by the Employee Benefit Trust (EBT)

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

Reserves

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

Reserve	Description and purpose
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.
Foreign Exchange Reserve	Gains or losses arising on retranslation of the net assets of the overseas operations into euro.
Share premium	The Share Premium account is the amount received for shares issued in excess of their nominal value, net of share issuance costs.
Share option reserve	The Share option reserve is the credit arising on share based payment charges in relation to the Company's share option schemes.
Shares to be issued	For deferred consideration which is to be provided for by the issue of a fixed number of shares at a future defined date, where there is no obligation on Keywords to offer a variable number of shares, the deferred consideration is to be classified as an Equity Arrangement and the value of the shares is fixed at the date of the acquisition.
Merger reserve	The merger reserve was initially created following the Group reconstruction, when Keywords Studios plc acquired the Keywords International Limited Group of companies. When the Group uses Keywords Studios plc shares as the 100% consideration for the acquisition of an entity, the value of the shares in excess of the nominal value, net of share issuance costs are also recorded within this reserve, in line with S612 of the 2006 UK Companies Act.
Non-Controlling Interest Reserve	The non-controlling interest reserve represents the share of net assets/(liabilities) at the reporting date which is attributable to the holders of the non-controlling interest.

17 Share Options

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

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

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

Share Option Scheme

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

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

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

Summary by share option arrangement

Date of Option	**12-Jul-13**	**01-Jun-15**	**10-May-16**	**15-May-17**	**Total**
Exercise Price	£1.20	£1.58	£2.54	£7.76	
Outstanding at the beginning of the period	465,396	1,016,260	190,400		1,672,056
Granted				282,000	282,000
Lapsed	(3,438)	(7,236)	(10,326)	(9,000)	(30,000)
Exercised in the year	(176,647)	(372,208)			(548,855)
Outstanding at the end of the period	285,311	636,816	180,074	273,000	1,375,201
Exercisable at 31 Dec 2017	285,311	229,985			515,296
Exercisable 2018		353,415	60,025		413,440
Exercisable 2019		53,416	60,025	91,000	204,441

Exercisable 2020	60,024	91,000	151,024
Exercisable 2021		91,000	91,000

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

Date of Option	**12-Jul-13**	**01-Jun-15**	**10-May-16**	**15-May-17**	**Total**
Weighted Average Share Price (£)	£1.23	£1.64	£2.54	£7.74	
Weighted Average Exercise Price (£)	£1.20	£1.58	£2.54	£7.76	
Average Expected Life	3 Years	3 Years	3 Years	3 Years	
Expected Volatility	36.12%	28.03%	27.17%	24.79%	
Risk Free Rates	0.50%	0.90%	0.55%	0.16%	
Average Expected Dividends Yield	1.00%	0.75%	0.58%	0.21%	
Weighted Average Remaining Life of Options in Months	*-*	*5*	*19*	*32*	*11*

Expected volatility was determined by reference to KWS volatility. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Long-term incentive plan scheme

An alternative share plan was introduced to give awards to Directors and staff subject to outperforming the Numis Small Cap (excluding Investment Trusts) index in terms of shareholder return over a three year period.

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

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

Summary by LTIP arrangement

Date of Option	**08-Jul-13**	**06-Jan-15**	**01-Jun-15**	**10-May-16**	**20-Nov-16**	**15-May-17**	**Total**
Exercise Price	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01
Outstanding at the beginning of the period	345,365	81,526	356,800	630,000	30,000	-	1,443,691
Adjustments	(7,473)	19,534	(12,061)	-	-	-	-
Granted	-	-	-	-	-	696,000	696,000
Lapsed	-	-	(27,621)	(20,000)	-	-	(47,621)
Exercised	(115,654)	-	-	-	-	-	(115,654)
Outstanding at the end of the period	222,238	101,060	317,118	610,000	30,000	696,000	1,976,416

Exercisable at 31 Dec 2017	222,238						222,238
Exercisable 2018		101,060	317,118				418,178
Exercisable 2019				610,000			610,000
Exercisable 2020						696,000	696,000

Date of Option	**08-Jul-13**	**06-Jan-15**	**01-Jun-15**	**10-May-16**	**10-May-16**	**15-May-17**
Weighted Average Share Price (£)	£1.23	£1.43	£1.64	£2.54	£4.15	£7.74
Weighted Average Exercise Price (£)	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01
Average Expected Life	3 Years	3 Years	3 Years	3 Years	3 Years	3 Years
Expected Volatility	36.12%	31.20%	28.03%	27.17%	23.31%	24.79%
Risk Free Rates	0.50%	0.58%	0.90%	0.55%	0.08%	0.16%

Weighted Average Remaining Life of Options in Months	**08-Jul-13**	**06-Jan-15**	**01-Jun-15**	**10-May-16**	**10-May-16**	**15-May-17**	**Total**
	-	-	5	16	23	28	16

LTIP's vest on the third anniversary of the grant, if the performance criteria are met.
LTIP's must be exercised before the seventh anniversary of the grant.
'Adjustments' relate to out of cycle changes and updates.

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

Expected volatility was determined by reference to KWS volatility. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

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

18 Other payables

Group	**2017**	**2016**
	€'000	**€'000**
Current		
Accrued expenses	15,229	7,702
Payroll Taxes	1,530	542
Other payables	2,986	3,927
Contingent Consideration	3,251	251
Related party payable (Note 22)	9	9
	23,005	**12,431**
Non-current		
Other payables	16	113
Contingent Consideration	1,217	1479
	1,233	**1,592**

19 Employee Defined Benefit Plan

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

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

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

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

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

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

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

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

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

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

Assumptions underlying the Actuarial Valuations and Sensitivities of the Assumptions

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

Demographic Assumptions

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

Economic & Financial Assumptions	**2017**	**2016**
Salary Increase	2.76%	2.50%
Inflation	1.70%	1.73%
Discount rate	1.54%	1.29%

Key Statistics		
Staff Number	98	97
Average Age	39.28	38.2
Average Service	4.50	3.6
Average Defined Benefit per staff	8,595	6,745
Average Salary for Defined Benefit	34,438	31,723

Actuarial Losses	**2017 €'000**	**2016 €'000**
Change due to Experience	17	30
Change due to Demographical assumption	30	5
Change due to Financial assumption	(22)	28
Actuarial Losses	25	63

Interest Rate Sensitivities		
-0.50%	1,136	882
0.50%	983	776

Mortality Rate Sensitivities		
-0.025%	1,056	827
0.025%	1,055	782

Staff Turn Over Rate Sensitivities		
-0.50%	1,067	835
0.50%	1,045	818

Staff Salary Increases Rate Sensitivities		
-0.50%	1,029	808
0.50%	1,084	845

20 Loans and borrowings

Group	2017 €'000	2016 €'000
Expiry within 1 Year	18,943	8,025
Expiry between 1 and 2 years	31	55
Expiry over 2 years	306	290
	19,280	**8,370**

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

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

The currencies of these loans are as follows;

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

21 Investment in Subsidiaries

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

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

Name	*Country of incorporation*	*Date of incorporation / acquisition*	*Proportion of voting rights and ordinary share capital held*	*Registered Office*
Keywords International Limited	Ireland	13/05/1998	100%	Whelan House, South County Business Park, Dublin 18
Keywords International Co. Limited	Japan	30/11/2010	100%	2F Toshin Building, 4-33-10 Yoyogi, Shibuya-ku, Tokyo 151-0053, Japan
Keywords International Corporation inc	Canada	22/12/2010	100%	1751 Richardson, suite 8400,Montréal, Québec, Canada H3K1G6
Keywords International Inc	United States	26/09/2012	100%	18300 Redmond Way, Suite 120, Redmond, WA 98052
KW Studios Limited	United Kingdom	29/05/2013	100%	8 Clifford Street London W1S 2LQ
Liquid Violet Limited	United Kingdom	15/01/2014	100%	Flr 2, 59 Lansdowne Place Hove, East Sussex, BN3 1FL,London, UK
Babel Media Limited	United Kingdom	17/02/2014	100%	Fifth Floor, 6 St. Andrew Street, London, EC4A 3AE, UK
Babel Games Services Inc	Canada	17/02/2014	100%	1751 Richardson, suite 8400, Montréal, Québec, Canada H3K1G6
Babel Media India Private limited	India	17/02/2014	100%	3rd floor, Vardhman Orchard Plaza, Plot No 4, LSC, West Enclave, Pitampura, New Delhi, 110034, India
Babel Media USA Inc	United States	17/02/2014	100%	1751 Richardson Office 8400, Montreal, Canada, H3K 1G6
Keywords				20 Kallang Avenue, #06-6A, Lobby

International Pte. Limited	Singapore	24/04/2014	100%	B, Pico Creative Centre, Singapore 339411
Binari Sonori SRL	Italy	08/05/2014	100%	Viale G.Frua 24, Milano, MI 20146, Italy
Binari Sonori Inc	United States	08/05/2014	100%	350 N. Glenoaks Blvd., suite 305, Burbank, CA 91502, USA
Binari Sonori Audio Productions LLC	United States	08/05/2014	100%	350 N. Glenoaks Blvd., suite 305, Burbank, CA 91502, USA
Lakshya Digital Private Limited	India	10/10/2014	100%	3rd floor, Vardhman Orchard Plaza, Plot No 4,LSC, West Enclave, Pitampura, New Delhi, 110034
Lakshya Digital Singapore Pte Ltd	Singapore	10/10/2014	100%	20 Kallang Avenue, #06-6A, Lobby B, Pico Creative Centre, Singapore 339411
Edugames Solutions Private Limites	India	10/10/2014	100%	D - 3/C, Munirka Flats, New Delhi - 110067
Alchemic Dream Inc	Canada	06/01/2015	100%	1751 Richardson, suite 8400, Montréal, Québec, Canada H3K1G6
Keywords International Barcelona SL	Spain	09/01/2015	100%	Passeig de Gràcia 49, 1er2a, 08007 Barcelona, Catalonia, Spain
Reverb Localizacao - Prearacao de Documentos Ltda	Brazil	18/01/2015	100%	Av. Churchill, 109 - sala 204 - Centro, Rio de Janeiro-RJ, Brazil CEP: 20020-050
Keywords (Shanghai) Information Technology	China	02/04/2015	100%	142 Room, Building 7, No.311 Jin Gao Road, Pudong New District, Shanghai
Kite Team SL	Spain	16/07/2015	100%	Julián Camarillo 6A, 3B, 28037 Madrid, Spain
Kite Team Mex S. de R.L. de. CV	Mexico	16/07/2015	100%	Av. Insurgentes Sur 1853, Guadalupe Inn, 01020 Ciudad de México, CDMX Mexico
Liquid Development LLC	United States	20/08/2015	100%	411 SW 2nd Ave #300, Portland, OR 97204, USA
Ankama Asia Pte. Ltd	Philippines	22/03/2016	100%	12F JMT Corporate Condominium, ADB Ave., Ortigas CBD, Pasig City
Synthesis Global Solutions	Switzerland	12/04/2016	100%	Via Landriani 7, 6900 Lugano, Ticino, Switzerland
Synthesis Deutschland	Germany	12/04/2016	100%	Holstenkamp 46 A, Bahrenfeld, 22525 Hamburg, Germany
Sillabit S.R.L	Italy	12/04/2016	100%	Corso Martiri 31, 23900 Lecco, Lombardia, Italy
Keywords International SAS	France	08/06/2016	100%	15 rue de la Baume - 75008 Paris, France
Volta Creation Inc	Canada	29/07/2016	100%	410 Charest Est, Suite 410, Quebec QC, Canada G1K 8G3
Player Research	United Kingdom	26/10/2016	100%	Claremont House, 95 Queens Road, BN1 3XE, Brighton, UK
Global Video-Games Services Inc., trading as Enzyme Testing Labs	Canada	16/11/2016	100%	2031 boul. du Curé-Labelle, Saint-Jérôme (Québec) J7Y1S5, Canada
Global Video Game Service Europe SARL	France	16/11/2016	100%	166, boulevard du Montparnasse, 75014 Paris , France
Spov Ltd	United Kingdom	17/02/2017	100%	Studio 11 The Premises, 205-209 Hackney Rd, London E2 8JL, UK
XLOC Inc	USA	10/05/2017	100%	712 Presnell Court, Raleigh, NC 27615-1240, USA
GameSim Inc.	USA	17/05/2017	100%	12000 Research Parkway, Suite 436, Orlando, FL 32826, USA
Strongbox Ltd	Seychelles	17/05/2017	100%	Suites 103, 106 and 107 Premier Building, Victoria, Mahe, Seychelles
Eastern New Media Limited	Hong Kong	17/05/2017	100%	Flat/Rm 4304, 43F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
Red Hot Software (Shanghai) Ltd.	China	17/05/2017	100%	Dong Tu Yu Hiu Road #860, Building 5, 4th Floor, Shanghai
Red Hot Software (Zhengzhou) Ltd.	China	17/05/2017	100%	Room 207, 11th Floor, Building No. 3, No. 57 Ke Xue Da Dao, Zheng Zhou, He Nan, China
PT Limitless Indonesia	Indonesia	17/05/2017	100%	JI. Timoho II, No. 32, Yogyakarta,
asrec SAS	France	28/07/2017	100%	20, rue de la Folie-Méricourt, 75011 Paris
Le Marque Rose SARL	France	04/08/2018	100%	11, rue Torricelli, 75017 Paris
Dune Sound SAS	France	28/07/2017	100%	59 boulevard Exelmans, 75016 Paris

Around the Word SAS	France	28/07/2017	100%	59 boulevard Exelmans, 75016 Paris
Around the Word GmbH	Germany	28/07/2017	100%	Rosenstrasse 2, D-10178 Berlin
Around the Word Canada Ltd	Canada	28/07/2017	100%	338 Saint-Antoine, bureau 207, Montréal, Canada
d3t Ltd	United Kingdom	19/10/2017	100%	Drake House, Gadbrook Park, Northwich, Cheshire, CW9 7RA
Keywords US Holdings Ltd	USA	27/10/2017	100%	1209 Orange Street, Wilmington, New Castle County, Delaware 19801, USA.
VMC Consulting Corporation	USA	27/10/2017	100%	11611 Willows Road NE, Redmond, WA 98052, United States of America
Volt Canada Inc.	Canada	27/10/2017	100%	1751 Richardson Street Suite 8400 Montreal QC H3K 1G6 Canada
VMC Volt Information Sciences BC, Inc.	Canada	27/10/2017	100%	1700-1075 West Georgia Street, Vancouver, BC, V6E 3C9
Sperasoft Inc.	USA	13/12/2017	100%	2033 Gateway Place Suite 500 San Jose, CA 95110
Sperasoft Poland Spólka z.o.o.	Poland	13/12/2017	100%	ul. Na Kozłówce 27, 30-664 Kraków, Poland
Sperasoft Studio LLC	Russia	13/12/2017	100%	5 Kievskaya Str., bld. 4, St. Petersburg, 196084

22 Related parties and shareholders

Italicatessen Limited, a company registered in Ireland is related by virtue of a common significant shareholder. P.E.Q. Holdings Limited is 100% owner of Italicatessen Limited. At 31 December 2017, P.E.Q Holdings Limited owned 6.5% (2016: 14.6%) of the Company. In addition, Mr. Giorgio Guastalla is a Director of Italicatessen Limited, P.E.Q. Holdings Limited and the Company, and owns, or controls, 90% of the share capital of P.E.Q Holdings Limited.

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

	2017 €'000	2016 €'000
Operating Expenses		
Canteen Charges	57	53
	57	**53**

The following are year-end balances:

	2017 €'000	2016 €'000
Italicatessen Limited	10	9
	10	**9**

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

	2017 €'000	2016 €'000
Operating Expenses		
Rental Payment	22	22
	22	**22**

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

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

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

23 Financial instruments and risk management

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

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

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

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

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

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

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

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

Group

	Total	Not past due	1-2 months overdue	More than 2 months past due
	€'000	€'000	€'000	€'000
As at 31 December 2017	**27,473**	**16,713**	**9,126**	**1,634**
As at 31 December 2016	13,879	12,877	907	95

The above balances relate to customers with no default history.

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

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

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

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

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

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

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

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

	10% Strengthening €'000	10% Weakening €'000
United States Dollar to Euro	2,363	(2,363)
Canadian Dollar to Euro	1,267	(1,267)
Sterling to Euro	620	(620)

Total financial assets and liabilities

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

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

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

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

Group

Year ended 31 December 2017	**Total**	**Within 1 year**	**1-2 years**	**2-5 years**
	€'000	**€'000**	**€'000**	**€'000**
Trade payables	7,310	7,310	-	-
Contingent Consideration	4,468	3,251	1,217	
Other accounts payable	19,770	19,754	16	-
Loans & Borrowings	19,280	18,943	31	306

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

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

24 Operating Lease Commitments

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

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

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

25 Finance Lease Commitments

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

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

Group	**Minimum Lease Payments**	**Interest**	**Present Value**

	€'000		
2017			
Not later than one year	25	1	24
Later than one year and not later than five years	20	4	16
Later than five years	-	-	-
	45	**5**	**40**

2016			
Not later than one year	31	2	29
Later than one year and not later than five years	18	1	17
Later than five years	-	-	-
	49	**3**	**46**

26 Deferred Tax

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

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

	Asset	Liability	Net	(Charged) / credited to profit or loss
	2016	**2016**	**2016**	**2016**
	€'000	**€'000**	**€'000**	**€'000**
Accelerated capital allowances	-	9	(9)	4
Personal severance indemnity	109	-	109	100
Available losses	44	-	44	(243)
Rent - free inducement	-	116	(116)	(66)

Fixed asset excess of tax over accounting	173	3	170	42
Deferred tax related to Multi Media Tax Credits	5	796	(791)	501
Other temporary and deductible differences	300	19	281	(88)
Deferred Tax arising on intangibles	249	2,310	(2,061)	459
Net tax assets / (liabilities)	880	3,253	(2,373)	**709**

27 Non-Controlling Interest

	2017 €'000	2016 €'000
Opening Balance	**-**	**(1,309)**
Liabilities of Kite Team attributable to shareholder at the acquisition date	-	-
Loss of Kite team attributable to the shareholders of the group	-	(61)
Contingent Consideration for the purchase of the remaining 50% of Kite Team	-	-
Settlement of Non-Controlling Interest	-	1,370
	-	**-**

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

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

28 Acquisitions completed in the current year

Acquisition of Spov Ltd

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

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

Spov Ltd.	**Book Value €'000**	**Fair Value Adjustment €'000**	**Fair Value €'000**
Financial Assets			

Property, plant and equipment	30	-	30
Trade and other receivable	16	-	16
Trade and other Payables	(139)	-	(139)
Total identifiable assets	(93)	-	(93)
Goodwill			491
Total consideration			398
Satisfied by:			
Cash			351
Deferred consideration			47
			398
Net cash outflow arising on acquisition			
Cash			351

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

The deferred considerations is a guaranteed amount.

In the opening set up period, Spov contributed €207,920 revenue and €203,313 loss before tax to the Group between the date of acquisition and the balance sheet date.

If the acquisition had been completed on the first day of the financial year, total revenue for the six months of €212,258 would have been contributed to the Group, and a corresponding loss before tax of €213,419.

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

Acquisition of XLOC

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

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

XLOC	**Book Value €'000**	**Fair Value Adjustment €'000**	**Fair Value €'000**
Financial Assets			
Property, plant and equipment	7	-	7
Identifiable intangible assets - IP	-	147	147
Trade and other receivables	33	-	33
Cash and cash equivalents	120	-	120
Trade and other Payables	(73)	-	(73)
Deferred tax liabilities	-	(59)	(59)

Total identifiable assets	87	88	175
Goodwill			652
Total consideration			827

Satisfied by:	
Cash	643
Equity Instruments (19,134 shares of the parent company)	184
Total consideration	827

Net cash outflow arising on acquisition	
Cash	643
Less: cash and cash equivalent balances transferred	(120)
	523

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

XLOC contributed €236,376 revenue and €114,475 loss before tax to the Group between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, revenue for the year to 31 Dec 2017 of €479,446 would have been contributed to the Group and €32,312 loss before tax.

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

Acquisition of GameSim

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

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

GameSim	**Book Value €'000**	**Fair Value Adjustment €'000**	**Fair Value €'000**
Financial Assets			
Property, plant and equipment	13	-	13
Identifiable intangible assets - customer relationships	-	-	-
Trade and other receivables	768	-	768
Cash and cash equivalents	26	-	26
Trade and other Payables	(353)	-	(353)
Total identifiable assets	454	-	454

Goodwill	3,828
Total consideration	4,282
Satisfied by:	
Cash	2,888
Equity Instruments (151,725 shares of the parent company)	1,394
Total consideration transferred	4,282

Net cash outflow arising on acquisition

Cash	2,888
Less: cash and cash equivalent balances transferred	(26)
	2,862

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

GameSim contributed €2,266,180 revenue and €397,213 profit before tax to the Group between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, revenue for the year to 31 December 2017 of €3,798,549 would have been contributed to the Group and €461,541 profit before tax.

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

Acquisition of Red Hot

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

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

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

Red Hot	**Book Value €'000**	**Fair Value Adjustment €'000**	**Fair Value €'000**
Financial Assets			
Property, Plant & Equipment	230	-	230
Identifiable intangible assets - customer relationships	-	1,465	1,465
Trade and other receivable	975	-	975

Cash and cash equivalents	584	-	584
Trade and other Payables	(356)	-	(356)
Corporation Tax	(64)	-	(64)
Deferred tax liabilities	-	(366)	(366)
Total identifiable assets	1,369	1,099	2,468
Goodwill			2,513
Total consideration			4,981

Satisfied by:	
Cash	3,514
Shares to Be Issued	1,468
	4,981

Net cash outflow arising on acquisition

Cash	3,514
Less: cash and cash equivalent balances transferred	(584)
	2,930

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

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

Red Hot contributed €3,979,753 revenue and €848,152 profit before tax to the Group between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, revenue for the year to 31 December 2017 of €6,245,933 would have been contributed to the Group and €1,152,760 profit before tax.

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

Acquisitions of asrec, Le Marque Rose and Around the Word

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

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

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

asrec	**Book**	**Fair Value**	**Fair**

	Value €'000	Adjustment €'000	Value €'000
Financial Assets			
Property, Plant & Equipment	123	-	123
Identifiable intangible assets - customer relationships	-	-	-
Trade and other receivable	49	-	49
Cash and cash equivalents	76	-	76
Trade and other Payables	(115)	-	(115)
Deferred tax liabilities	-	-	-
Total identifiable assets	133	-	133
Goodwill			577
Total consideration			710
Satisfied by:			
Cash			610
Equity Instruments (9,534 shares of the parent company)			100
			710
Net cash outflow arising on acquisition			
Cash			610
Less: cash and cash equivalent balances transferred			(76)
			534

Le Marque Rose	**Book Value €'000**	**Fair Value Adjustment €'000**	**Fair Value €'000**
Financial Assets			
Property, Plant & Equipment	148	-	148
Identifiable intangible assets - customer relationships	-	-	-
Trade and other receivable	598	-	598
Cash and cash equivalents	494	-	494
Trade and other Payables	(504)	-	(504)
Deferred tax liabilities	-	-	-
Total identifiable assets	736	-	736
Goodwill			1,293
Total consideration			2,029
Satisfied by:			
Cash			2,029
Net cash outflow arising on acquisition			
Cash			2,029
Less: cash and cash equivalent balances transferred			(494)
			1,535

Around the Word	**Book Value €'000**	**Fair Value Adjustment €'000**	**Fair Value €'000**

Financial Assets			
Property, Plant & Equipment	342	-	342
Identifiable intangible assets - customer relationships		651	651
Trade and other receivable	2,142	-	2,142
Cash and cash equivalents	497	-	497
Trade and other Payables	(2,067)	-	(2,067)
Deferred tax liabilities	-	(217)	(217)
Total identifiable assets	914	434	1,348
Goodwill			3,495
Total consideration			4,843
Satisfied by:			
Cash			2,500
Deferred Cash			1,543
Shares to Be Issued (66,262 shares of the parent company)			800
			4,843
Net cash outflow arising on acquisition			
Cash			2,500
Less: cash and cash equivalent balances transferred			(497)
			2,003

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

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

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

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

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

Acquisition of d3t

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

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

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

d3t	**Book Value €'000**	**Fair Value Adjustment €'000**	**Fair Value €'000**
Financial Assets			
Property, Plant & Equipment	188	-	188
Identifiable intangible assets - customer relationships	-	-	-
Trade and other receivable	602	-	602
Cash and cash equivalents	802	-	802
Trade and other Payables	(678)	-	(678)
Deferred tax liabilities	-	-	-
Total identifiable assets	914	-	914
Goodwill			2,886
Total consideration			3,800
Satisfied by:			
Cash			3,127
Equity Instruments (42,368 shares of the parent company)			673
			3,800
Net cash outflow arising on acquisition			
Cash			3,127
Less: cash and cash equivalent balances transferred			(802)
			2,325

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

d3t contributed €560,231 revenue and €6,938 loss before tax to the Group between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, revenue for the year to 31 December 2017 of €3,010,726 would have been contributed to the Group and €113,541 profit before tax.

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

Acquisition of VMC

On 27 October 2017 the Group acquired the entire issued share capital of VMC Consulting Corporation, a leading provider of Functional Testing and Customer

Support in North America, and its affiliates VMC Volt Information Sciences BC and Volt Canada Inc.

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

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

VMC	**Book Value €'000**	**Fair Value Adjustment €'000**	**Fair Value €'000**
Financial Assets			
Property, Plant & Equipment	1,834	-	1,834
Identifiable intangible assets - customer relationships	-	13,245	13,245
Trade and other receivable	18,255	-	18,255
Cash and cash equivalents	-	-	-
Trade and other Payables	(3,192)	-	(3,192)
Corporation Tax	(150)	-	(150)
Deferred tax liabilities	(1,408)	(2,781)	(4,189)
Total identifiable assets	15,339	10,464	25,803
Goodwill			32,128
Total consideration			57,931
Satisfied by:			
Cash			57,931
Net cash outflow arising on acquisition			
Cash			57,931
Less: cash and cash equivalent balances transferred			-
			57,931

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

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

Acquisition of Sperasoft

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

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

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

Sperasoft	**Book Value €'000**	**Fair Value Adjustment €'000**	**Fair Value €'000**
Financial Assets			
Property, Plant & Equipment	1,053	-	1,053
Identifiable intangible assets - customer relationships	-	3,454	3,454
Trade and other receivable	2,946	-	2,946
Cash and cash equivalents	587	-	587
Trade and other Payables	(2,710)	-	(2,710)
Corporation Tax	(86)	-	(86)
Loan	(1,022)	-	(1,022)
Deferred tax liabilities	(46)	(691)	(737)
Total identifiable assets	722	2,763	3,485
Goodwill			18,206
Total consideration			21,691
Satisfied by:			
Cash			16,733
Deferred Cash			826
Shares to Be Issued (252,248 shares of the parent company)			4,132
			21,691
Net cash outflow arising on acquisition			
Cash			16,733
Less: cash and cash equivalent balances transferred			(587)
			16,146

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

The deferred consideration is payable on the first anniversary of trading. This is not contingent on performance of the company.

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

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

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

Acquisition of Lola

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

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

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

Lola	**Book Value €'000**	**Fair Value Adjustment €'000**	**Fair Value €'000**
Financial Assets			
Property, Plant & Equipment	13	-	13
Identifiable intangible assets - customer relationships	-	-	-
Trade and other receivable	147	-	147
Cash and cash equivalents	43	-	43
Trade and other Payables	(118)	-	(118)
Deferred tax liabilities	-	-	-
Total identifiable assets	85	-	85
Goodwill			784
Total consideration			869
Satisfied by:			
Cash			405
Deferred Cash			295
Shares to Be Issued (10,106 shares of the parent company)			169
			869
Net cash outflow arising on acquisition			
Cash			405
Less: cash and cash equivalent balances transferred			(43)
			362

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

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

As the acquisition happened so close to year end, Lola contributed minimal revenue and profit before tax to the Group between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, revenue for the year to 31 December 2017 of €997,366 would have been contributed to the Group, and €68,136 profit before tax.

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

29 Business Combinations completed in 2016

Acquisition of Ankama Asia Pte Ltd.

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

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

Ankama Asia Pte

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

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

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

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

Ankama Asia Pte Ltd contributed €527,856 revenue and €17,288 loss before tax to the Group between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, revenue for 2016 of €540,693 would have been contributed to the Group and loss before tax of €18,022.

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

Acquisition of Synthesis Group

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

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

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

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

Synthesis Group

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

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

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

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

The Synthesis Group of companies contributed €18,012,547 revenue and €3,494,458 profit before tax to the Group between the date of acquisition and the balance sheet date.

If the acquisition had been completed on the first day of the financial year, total revenue for 2016 of €20,662,464 would have been contributed to the Group, and a corresponding profit before tax of €3,887,462.

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

Acquisition of Mindwalk Studios Inc. and Mindwalk Studios Ltd.

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

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

Mindwalk

	Book Value €'000	Fair Value Adjustment €'000	Fair Value €'000
Financial Assets			
Property, plant and equipment	465	(333)	132
Identifiable intangible assets - customer relationships	-	1,100	1,100
Trade and other receivables	581	(39)	542
Cash and cash equivalents	442	(30)	412
Deferred tax asset	-	83	83
Deferred tax liabilities	-	(137)	(137)

Total identifiable assets	1,488	644	2,132
Goodwill			3,117
Total consideration			5,249
Satisfied by:			
Cash			3,048
Deferred Cash Consideration			315
Shares to be Issued			1,886
Total consideration transferred			5,249
Net cash outflow arising on acquisition			
Cash			3,048
Less: cash and cash equivalent balances transferred			(412)
			2,636

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

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

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

Mindwalk contributed €3,166,196 revenue and €227,528 profit before tax to the Group between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, revenue for 2016 of €4,825,497 would have been contributed to the Group and €301,165 profit before tax.

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

Acquisition of Volta Création Inc.

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

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

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

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

Volta Création Inc. contributed €1,181,050 revenue and €209,305 profit before tax to the Group between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, revenue for 2016 of €2,406,878 would have been contributed to the Group and profit before tax of €277,687.

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

Acquisition of Player Research Ltd

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

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

Player Research

	Book Value €'000	Fair Value Adjustment €'000	Fair Value €'000
Financial Assets			
Fixtures, Fittings & Equipment	45	-	45
Identifiable intangible assets - customer relationships	-	158	158
Trade and other receivable	169	-	169
Cash and cash equivalents	489	-	489
Trade and other Payables	(133)	-	(133)
Deferred tax liabilities	-	(32)	(32)
Total identifiable assets	570	126	696
Goodwill			1,014
Total consideration			1,710

Satisfied by:	
Cash	1,128
Deferred Cash	265
Equity Instruments (65,280 shares of the parent company)	317
	1,710

Net cash outflow arising on acquisition	
Cash	1,128
Less: cash and cash equivalent balances transferred	(489)
	639

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

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

Player Research contributed €182,820 revenue and €64,525 profit before tax to the Group between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, revenue for 2016 of €921,339 would have been contributed to the Group and profit before tax of €307,592.

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

Acquisition of Global Video-Games Services Inc., trading as Enzyme Testing Labs

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

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

Enzyme

	Book Value €'000	Fair Value Adjustment €'000	Fair Value €'000
Financial Assets			
Fixtures, Fittings & Equipment	929	(13)	916
Identifiable intangible assets - customer relationships	-	1,669	1,669
Trade and other receivable	2,546	-	2,546
Cash and cash equivalents	695	-	695
Trade and other Payables	(2,334)	-	(2,334)
Deferred Tax Assets	-	3	3
Deferred tax liabilities	-	(761)	(761)
Total identifiable assets	1,837	899	2,735
Goodwill			731
Total consideration			3,466

Satisfied by:	
Cash	3,466
Net cash outflow arising on acquisition	
Cash	3,466
Less: cash and cash equivalent balances transferred	(695)
	2,771

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

Enzyme contributed €1,094,913 revenue and €59,820 profit before tax to the Group between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, revenue for 2016 of €8,632,254 would have been contributed to the Group and profit before tax of €954,332.

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

Acquisition of Sonox Audio Solutions S.L.U.

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

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

Sonox

	Book Value €'000	Fair Value Adjustment €'000	Fair Value €'000
Financial Assets			
Fixtures, Fittings & Equipment	2	-	2
Identifiable intangible assets - customer relationships	-	-	-
Trade and other receivable	268	-	268
Cash and cash equivalents	177	-	177
Trade and other Payables	(411)	-	(411)
Deferred tax liabilities	-	-	-
Total identifiable assets	36	-	36
Goodwill			614
Total consideration			650
Satisfied by:			
Cash			500
Equity Instruments (24,881 shares of the parent company)			150
			650
Net cash outflow arising on acquisition			
Cash			500
Less: cash and cash equivalent balances transferred			(177)
			323

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

Sonox contributed €52,032 revenue and €87,969 additional profit before tax to the Group between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, revenue for 2016 of €1,308,004 would have been contributed to the Group and profit before tax of €454,827.

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

30 Supplementary Information to the Statement of Cash Flows

Group Movement on Loans	Current €'000	Non Current €'000	Total €'000
Opening loans and borrowings 1.1.2017	8,025	345	8,370
Cash Flows			
Cash Received via Additional Loans taken in			

the current year	10,250	-	10,250
Repayment of Loans	(23)	-	(23)
Non Cash Flows			
Amounts recognised on Business Combinations	632	51	683
Non Current at 1.1.2017 transferred to current 31.12.2017	59	(59)	-
Closing Loans and borrowings 31.12.2017	**18,943**	**337**	**19,280**

31 Events after the reporting date

Acquisition of Maximal

On 22 March 2018 the group completed the acquisition of Maximal, an audio business based in Sao Paulo. Maximal does voice over recording for the video games and learning industries. Maximal will add to our audio capabilities in the South American market, providing Keywords its first recording studio in Brazil, which will complement our localisation operation in Rio. Under the terms of the acquisition Keywords will pay cash consideration of up to €500k; €300k initially plus up to €200k over 2 years, contingent on results.

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

Acquisitions of Cord Worldwide Limited and Laced Music Limited

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

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

Annual report and accounts

The annual report and accounts will be posted to shareholders shortly and will be available to members of the public at the Company's registered office at 8 Clifford Street London W1S 2LQ and on the Company's website http://www.keywordsstudios.com/en/investors.

Annual General Meeting

The Annual General Meeting of Keywords Studios plc will be held on 25 May 2018.

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