Keywords STUDIOS

Keywords Studios plc / Annual Report and Accounts 2020

Passion___ is the key

Our purpose

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

At Keywords Studios, we bring passion to every pixel, every project, every aspect of technology and media. Working hand-in-hand with our clients, our diverse group of digitally-native Keywordians provide technology-enabled services that turn extraordinary ideas into great interactive content.

We're on a mission to be the world's leading technical and creative services platform for the video games industry and beyond, and a sustainable business that positively contributes to the environment and our communities across the globe.

Welcome to our open and evolving world!

On a___ quest

Andrew Day
Group Chief Executive Officer

New Game Continue?

Overview

Strategic report

Governance

Financial statements

Supplementary information

2020 highlights

Revenue (€m)

€373.5m +14.4%

2020	€373.5m
2019	€326.5m
2018	€250.8m

Organic Revenue growth* (€m)

+11.7%

2020	+11.7%
2019	+15.5%
2018	+10.1%

EBITDA* (€m)

€66.8m +53.9%

2020	€66.8m
2019	€43.4m

Margin: 17.9% (2019: 13.3%)

Adjusted EBITDA* (€m)

€74.2m +28.8%

2020	€74.2m
2019	€57.6m

Margin: 19.9% (2019: 17.6%)

Profit before tax* (€m)

€32.5m +87.1%

2020	€32.5m
2019	€17.4m
2018	€22.1m

Adjusted profit before tax* (€m)

€55.0m +34.3%

2020	€55.0m
2019	€40.9m
2018	€37.9m

Margin 14.7% (2019: 12.5%)

Basic earnings per share (c)

30.32c +99.1%

2020	30.32c
2019	15.23c
2018	23.16c

Adjusted earnings per share* (c)

60.93c +24.9%

2020	60.93c
2019	48.78c
2018	45.50c

Total dividend per share (p)

0.0p

2020	0.0p
2019	0.58p
2018	1.61p

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

For full definitions and explanations of these measures and a reconciliation to the most directly referenceable IFRS line item, please see pages 136 to 143.

Meet the Keywordians

> At Keywords Studios, we bring passion to every pixel, every project, every aspect of technology and media

A sandbox of___ creativ

Art Creation & Marketing

The creation of video game graphical art, including concept art, 2D and 3D art asset production and animation. Marketing services include game trailers, marketing art and materials, PR and full brand campaign strategies.

Revenue in 2020

€57.3m

15.3%
of total revenue

Game Development

Game development services including full game development, co-development, porting of games from one platform to another and remastering, tool development and consulting services on a work-for-hire basis. This includes additional services such as proprietary software solutions for analytics, social media integration, procedural generation of art assets and player behaviour research consulting services.

Revenue in 2020

€80.0m

21.4%
of total revenue

Audio

Multi-language voiceover recording, original language voice production, music management, sound effects and related services for the video games industry, film and TV.

Revenue in 2020

€47.2m

12.6%
of total revenue

ity

Francis-Xavier Martin

Lead Artist at Electric Square

Brighton, UK

"I've been passionate about drawing and creating since I was very young, so I love when I see something we create as a team come to life and the public enjoys it."

On a daily basis, between meeting with producers and the team, my job focuses on reviewing artwork and making sure it is at the highest quality for our clients.

After work, I like to keep fit and work on my special power, magic, a hobby of mine for a number of years.

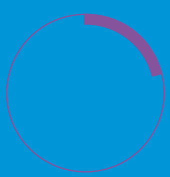
Meet the Keywordians continued

> Our diverse group of digitally-native Keywordians provide technology-enabled services that turn extraordinary ideas into great interactive content

Mechanics of_ the ga

Functional Testing

Quality assurance, including discovery and documentation of game defects and testing to verify the game's compliance with hardware manufacturers' and distribution platforms' specifications, as well as test automation tools and services, crowd based and focus group testing solutions.



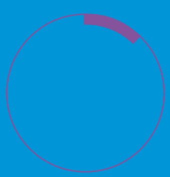
Revenue in 2020

€78.5m

21.0%
of total revenue

Localization

Translation of in-game text, audio scripts, cultural and local adaptation, accreditation, packaging and marketing materials in over 50 languages. Includes our proprietary technologies for content management, machine translation, crowd sourcing and workflow management.



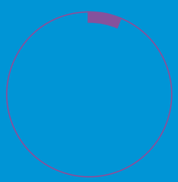
Revenue in 2020

€45.4m

12.2%
of total revenue

Localization Testing

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



Revenue in 2020

€23.3m

6.3%
of total revenue

me

Roxana Moore

Director of Embedded Services

Redmond, WA, United States

"We are a unique team that are more like family than co-workers, working mostly on evergreen projects that are always challenging and ever changing."

I oversee Keywords' Embedded Services Team, supporting a variety of insourced managed services that span a number of our service line activities, at our clients' sites.

Between sports, cooking, family and friends, my spare time is also spent on moving my languages skills from being bilingual to trilingual.

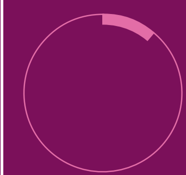
Meet the Keywordians continued

> We are committed to building a sustainable business that positively contributes to the environment and our communities across the globe

Community_ driven

Player Support

Omnichannel and multilingual customer support delivered 365/24/7 in-game and on-digital community and social platforms, where we engage, moderate, analyse, report, prevent fraud and cheating. Utilising AI, bots, automated support tools, and self-help portals to ensure we can deliver the best customer experience and support for gamers, when games are in live operation, ensuring our customers have a safe player environment and making their games loved by their players.



Revenue in 2020

€41.8m

11.2%
of total revenue

Eric Aguilar

Player Support Manager
for North America

Montreal, Canada

“It is always fulfilling to see the team grow, helping them deliver for our clients while becoming a better version of themselves professionally.”

I now oversee Player Support in North America but started my career in Keywords Manila, where we grew the team from 50 employees in 2016 to over 850 in 2020.

Once, I experienced the electrification of a lightning strike when hiking in the Philippines, but today I keep my adventures closer to home with my wife and son.

Company overview

> Welcome to our open and evolving world!

It's our mission to be the world's leading technical and creative services platform for the video games industry and beyond. Welcome to our open and evolving world.

Keywords Studios now has 69 studios, in over 40 cities, across 22 different countries worldwide. We provide a full set of integrated services, combining a presence that is local to our clients in key gaming clusters with good access to skilled talent pools across five continents.

A solid_

platfor

69

studios in 22 countries

8,353

average number of employees in 2020

Service lines

- Art Creation & Marketing
- Game Development
- Audio
- Functional Testing
- Localization
- Localization Testing
- Player Support

Chairman's statement

Many of the strengths of Keywords' business model have shone through

Ross K Graham
Chairman

This time last year no one predicted the difficult conditions brought about by the pandemic.

Yet, many of the strengths of Keywords' business model have shone through, as it moved quickly to remote working, putting the wellbeing of our people first, and delivering the projects entrusted to us.

The flexibility shown by management and staff alike in adapting to new business practices, the continued strong demand for our services and the discipline shown over managing our cost base, enabled underlying revenues, margin and profit growth. This was despite organic growth having been held back by the COVID-19 production constraints that faced the Group.

Early in the crisis, the Board recognised the potential that this crisis gave us for enhanced expansion. Accordingly, €110m was raised in an equity placing, well supported by shareholders, to provide the Company with flexibility to capitalise on the strong pipeline and a unique opportunity in the market.

This support was vindicated both by the Group's performance in the year and by the eight acquisitions since the placing, which further strengthen our Game Development, Marketing and Audio services in line with our strategy. In other ways, the teams in Keywords very much "stood up to the plate", as shown in the annual employee survey. The results showed a welcome appreciation of the efforts made to improve communication, staff recognition and engagement. This remains a focus, as does our Responsible Business agenda more broadly.

We were fortunate to have held our annual Strategy Conference in London in February 2020 before the pandemic really took hold. Thereafter the Board has not been able to make its customary visits to overseas locations and so much reliance has been placed on technologies such as Zoom and Teams to facilitate virtual face-to-face contact. It is our fervent hope that we shall be allowed to meet our colleagues in person before long and we look forward to the enhanced camaraderie and informal intellectual stimulation that this brings.

The video games industry has benefitted from an expanded gaming population as more people have spent more of their leisure time on gaming. For our part, we continue to build scale in our existing activities and to identify new facets of video games service infrastructure that we can assist our clients with, supporting our continued expansion within video games. In addition, we continue to examine opportunities in adjacent sectors and our work in the broader media and entertainment sector with Netflix, Amazon, Apple TV+ and others has increased accordingly. We will continue to review opportunities that supplement our growth in video games to ensure we take advantage of the increasing convergence of content and leverage our mastery of the most interactive of all mediums, video games.

Every year I look back and think "we have done pretty well, but it could have been better". It is this determination for continuous improvement that helps underpin the Keywords' culture which views each year as a stepping stone to the next.

The appointment, in January 2021, of a top class Chief Operating Officer, Sonia Sedler, with relevant experience in global outsourced professional services, is another important step in the quest to continually improve the Group's operational excellence. With around 9,000 employees in 22 different countries Keywords is becoming a sizeable enterprise and the internal operational infrastructure needs to be fit for purpose. I am delighted to welcome Sonia who in the short period since her appointment in mid-January has already started to make an appreciable difference.

On 15 March 2021, we announced that we have agreed for Andrew Day, CEO, to take a temporary leave of absence from the business for health reasons, with immediate effect. During the interim period, Jon Hauck, who has become a key member of the senior team driving the Group's strategic development since he joined in 2019 as CFO, and Sonia Sedler have been appointed as joint interim CEOs by the Board, ably supported by the Group's strong service line and regional management teams. Whilst Andrew has been a driving force in building Keywords, a key part of his role has been the development of an exceptional leadership team who we are confident are well equipped to continue to both drive the Company's strategy forward and manage the Group's operational performance. Andrew is expected to return to his position following a period of recovery and he will remain a member of the Board of Directors.

As mentioned earlier, our management and staff have both performed admirably during an unprecedented year and the financial results are a testimony to the commitment of everyone involved, all of whom deserve a round of applause. Interestingly, some of the new ways of working have also identified opportunities to improve the way we do things for the benefit of both ourselves and our clients.

Having previously suspended our dividend programme, we continue to expect to resume our progressive dividend policy in the 2021 financial year.

On behalf of the Board, we are extremely appreciative of the efforts across the business in the past year. This dedication, combined with our strong market position and scale, leaves Keywords well placed in a buoyant video games market which is driving increased demand for content creation and a structural trend towards outsourcing. With a strong balance sheet and an excellent leadership team in place, we look forward to the coming year with confidence as we continue to actively review a healthy pipeline of acquisition opportunities and cement our status as the "go to" global video games services platform.

Ross K Graham
Chairman

Spoiler alert

> Strengthened platform in a growth market

Keywords is better placed than ever to continue to capture an increasing share of our robustly growing market, by deepening our relationships with customers who already trust us with their high value IP, having significantly extended our services and geographical reach during the year.

1

Access to a dynamic growth market

Keywords has minimal direct exposure to the successes or failures of individual game titles. Our focus on content means we are platform agnostic and well positioned to take advantage of the opportunities presented by mobile gaming, cloud streaming, next generation consoles and AR/VR. The increasing sophistication of games and the development of new platforms all add to the complexity of the video games market which is driving demand for larger, professional, outsourced specialists, such as Keywords, in a highly fragmented supplier market.

2

Market leading position

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

3

Strong growth record

We continue to deliver strong organic revenue growth as we benefit from both the growth in the video games industry and the trend towards greater outsourcing of our services. In addition, we have successfully completed 52 acquisitions since IPO. The eight acquisitions announced since 2020 bolstered our capabilities, particularly in Game Development and Marketing services, while bringing us even closer to our customers around the world.

4

Opportunity to grow further

Having made strong progress in extending the Group's client base, market penetration, geographic footprint and service lines, we are now beginning to realise the significant potential for increased cross-pollination of our service lines and geographic locations, including taking advantage of our dual-shore capabilities which enable us to be close to our customers and provide services from lower cost studios, as we increasingly become a strategic partner to our customers.

5

A strong business model

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

Our business model also provides an opportunity to invest in the exciting video games market, without the risk of exposure to the successes or failures of individual game titles.

6

Adjacent market potential

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

Video games represent the pinnacle of interactive content. Our mastery of this most interactive of content forms positions us well as other forms of content continually seek ways to be more interactive and engaging.

7

Trusted partner

We are a trusted partner to leading companies around the world, with a leading market position, providing services to 23 of the top 25 games companies and all 10 of the top 10 mobile games publishers by revenue, including:

Sources: Newzoo, Top 25 public companies by game revenues in Q3 2020; and App Annie, Top publishers of 2020/21.

Chief Executive Officer's review

Strong performance, despite COVID-19 constraints

Jon Hauck
Joint Interim
Chief Executive Officer

Keywords delivered a strong performance in 2020, with revenues up by 14.4% to €373.5m, or by 11.7% on an organic constant currency basis.

This performance reflected our team's hard work to deliver on the continued robust demand for our services, despite significant COVID-19 related production constraints which delayed the flow of some content in certain service lines. We are prouder than ever of the dedication of all our talented Keywordians through this challenging year, as we reacted with agility to fundamental changes to our ways of working, whilst continuing to deliver the excellent service which our clients have come to expect.

The Group's global footprint meant that we first experienced disruption from the COVID-19 pandemic in China from January, before experiencing a broader shutdown of the majority of its studios across the Group from March. Having learnt from our experience early on in China, we were able to quickly move the vast majority of our business to a remote working model. However, this was more of a challenge in our Testing and Audio businesses which had previously required work to be performed in secure or physical studios. During this period, the Group received €9.2m of COVID-19 related subsidies, largely in the Americas, which supported the continued employment of staff despite the interruption to the flow of work. The Group has since been able to facilitate and agree alternative solutions with our clients, allowing us to provide remote testing services in a work from home model and undertake some audio recordings virtually. This enabled us to stabilise trading at the end of the first half of the year and deliver 15.0% Organic Revenue growth in the second half of the year (H1: 8.0%), despite some ongoing operational constraints.

Reported revenue growth

14.4%

Organic Revenue growth

11.7%

Having exited 2020 with the majority of our business still working remotely, these workarounds are proving highly effective and will enable us to support customers for as long as remote working is needed.

Demand remained robust throughout the year and the video games industry has enjoyed significant increases in both player acquisition and gameplay during lockdowns. However, our business relies on the production of content and both we, and publishers, have been held back by operational constraints which have limited the flow of new content, as set out in more detail in our service line reviews. We do expect that, with the benefit of increased players and funds following recent demand, the current year will see publishers focus more on developing new content to keep gamers engaged.

Game Development continued its strong performance with Organic Revenues growing by 17.1% which, combined with recent acquisitions, positions it as a market leader of some scale with Pro Forma Revenues of €98m at the end of 2020 (before the inclusion of Heavy Iron and Tantalus Media that completed in January and March 2021, respectively). This excellent performance was delivered despite strong comparatives as we moved into the second half and the obvious challenges of recruiting and managing complex projects in a work from home model. Game Development received significant further investment during the year as we continue to build this business to scale across the major geographic territories. We were pleased, therefore, to be able to welcome to the Group through acquisition, Coconut Lizard (Newcastle, UK), High Voltage (Chicago and New Orleans, USA), Heavy Iron (Los Angeles, USA) and our recent acquisition Tantalus that gives us our first market entry into the Australian game development market. We enter 2021 with Game Development being our largest service line and, with a healthy acquisitions pipeline, we hope to see further development of this service line through the year.

Our Art Creation & Marketing service line also performed well in the period, despite some significant early COVID-19 impact, particularly affecting our businesses in China and India. Our Marketing Services businesses have continued to benefit from ongoing investment in acquisitions and we were delighted to welcome Maverick Media (London, UK), g-Net (Los Angeles, USA) and Indigo Pearl (London, UK) into this group during the year. As a result, Marketing Services has now achieved sufficient scale, with Pro Forma Revenues of c. €35m and over 190 people employed globally across eight studios, and we intend to report on it as a separate service line from the first half of 2021.

As expected, our Player Support business returned to growth during the year benefitting from new business wins and some increase in demand from certain of its existing contracts as they benefitted from increased game playing activity since lockdown commenced.

Whilst demand was strong for most of our services, COVID-19 related operational and market disruption was particularly apparent in our Localization service line, where the flow of content into the business was affected, and in our Testing and Audio service lines, where the use of facilities was significantly curtailed. However, the strong operational response to these challenges led to significantly higher Organic Revenue growth in Functional Testing and Audio in H2, of 20.6% (H1: 10.7%) and 8.7% (H1: 0.5%) respectively, while our Localization Testing business delivered growth of 5.9% and Localization returned to growth in H2. As a result, we enter 2021 in a much better position and do not expect to be impacted in the same way, despite the continued COVID-19 related challenges ahead.

The Group's Adjusted EBITDA increased by 28.8% to €74.2m, representing a 2.3% pts improvement in margin to 19.9%. This was driven by some operational leverage despite the recruitment constraints experienced in the year and continued good cost control, together with a reduction in certain costs due to COVID-19, such as travel and marketing costs.

We are pleased that this profit performance has also resulted in strong cash generation, with €53.4m of Adjusted Free Cash Flow representing a 97.2% Adjusted Cash Conversion rate in the period (2019: 80.2%), albeit 2020 included some phasing benefits as a result of COVID-19. This demonstrates the strong cash generating characteristics of the business in a challenging period which provides the Group with further resources to fund its acquisition strategy.

We enter 2021 very confident in the Group's opportunity for growth through a continued trend towards outsourcing, an increased focus on content creation in a growing video games market, and in our ability to increase our market share.

Delivering on our strategy

Structural trends to outsourcing driving organic growth

Keywords strategy is to become the "go to" provider of technical and creative services to the video games industry in a market where increased outsourcing has become a structural trend.

Through successful development both organically and through acquisitions, the Group increasingly stands out as the leader in a market characterised by highly fragmented, local, single-service providers, despite the growing needs of the major video games publishers and developers who act globally.

These customers are increasingly turning to external development and support services as a way of managing the demands of generating more sophisticated content whilst limiting their fixed costs, and so they require the quality, flexibility, and security of a full service provider of scale.

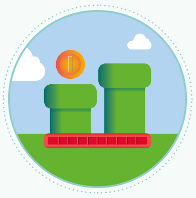
Chief Executive Officer's review continued

"We see the future as a hybrid of creating vibrant, engaging and safe studio space, and enabling people to work securely and constructively from home"

Our strategic pillars

The key pillars of our strategy are to grow organically and by acquisition to extend the Group's service capacity, capabilities and geographical reach.

Building our platform



Selective acquisitions and integration

Organic growth and cross selling

For more information on our strategy see pages 22 and 23.

New consoles spearheading increased demands for content and support

Demand for video games has accelerated during the pandemic, with International Data Corporation (IDC) estimating that global revenues grew by 20% in 2020. For 2021, this is being driven forward by the launch of next generation games consoles, which is expected to refresh the entire console based gaming sector after a seven year run of the PS4 and Xbox One console generation. This is likely to result in an enlarged market for video games content over the coming years and an associated demand for new content creation, which in turn drives demand for Keywords services. Further development of new and existing video games streaming platforms will also increase demand for content and its ongoing support in live operation.

Keywords provides services to the leading game developers and publishers across all platforms including mobile, console, PC, streaming, and VR. The Group, therefore, benefits from the secular trends in gaming, with exposure to all the major gaming companies and all the leading platforms without the "hit or miss" risk often associated with an individual platform or franchise.

Highly successful M&A programme continuing

We remain determined not to allow COVID-19 to halt our highly successful M&A programme that has always been an integral part of our strategy. Since our strongly supported €110m placing in May, we are pleased to have been able to welcome eight high quality new companies to the Keywords family, further strengthening the breadth and depth of the Group's value-added services.

These brought three high quality studios into Game Development (High Voltage, Heavy Iron, Coconut Lizard), added significant scale to Marketing Services (g-Net, Maverick Media, Indigo Pearl) and enhanced our offering in Audio (Jinglebell). This has been supplemented by the recent acquisition of Tantalus which gives us our first entry point into the Australian Game Development market and provides us with a further platform for both organic and acquisition led growth in the region.

These acquisitions have been in line with our stated strategy to focus on building out our Game Development and Marketing service lines, as we seek to grow these services to become the suppliers of choice for our global client base, whilst selectively acquiring in other service lines.

The total consideration for these acquisitions including performance related contingent deferred consideration elements (including the acquisition of Heavy Iron that completed in January 2021 and more recently Tantalus in March 2021) is up to a maximum of c. €137m. This is comprised of €66m in cash, €23m through the issue of shares and €48m payable in a mixture of cash and shares subject to the businesses meeting certain performance targets or other conditions over the first 24 months post completion. We continue to actively review a healthy pipeline of further acquisition opportunities.

Embracing new ways of working

The senior management team at Keywords has long been used to working distanced from one another but, like many other businesses, COVID-19 has forced the same ways of working on the majority of Keywordians around the globe. In fact, by the end of the year, out of approximately 9,000 Keywordians, c.6,900 were working from home, representing a dramatic change in the working environment.

We continue to review how we can best utilise our physical studio footprint once we are through COVID-19 restrictions, and we are constantly consulting those who really matter: our Keywordians. In our recent annual employee survey, 43% of people expressed a preference to continue to work from home, 10% would rather return to office based working, with 47% preferring a combination of working from the office and from home.

We see the future as a hybrid of creating vibrant, engaging and safe studio space, and enabling people to work securely and constructively from home. There is clearly a role for physical studios for the Group, particularly to allow for the exchange of creative ideas, for training, and in our Testing and Audio service lines. We have, therefore, continued to invest in new studios in Mexico City, New Delhi, Katowice and Singapore as well as opening a sixth studio in China in order to support our growth today and into the future.

We also continue to work hard to engage with and recognise the efforts of our Keywordians and to support their wellbeing, including communication to increase the awareness of Employee Assistance Programmes, with a number of new initiatives having been introduced during the year including guest speakers on mental health, virtual yoga and dance lessons, Friday evening online events, and team quiz nights to name but a few.

Cash conversion

97.2%

2020 Pro Forma Revenue

€409.2m

Responsible Business

At Keywords we have always been committed to conducting our business responsibly and operating to the highest standards of honesty, integrity and ethical conduct. We take our wider corporate responsibility seriously and are conscious of the role that our business plays in our communities and the impact it has on the environment. During 2020 we made good progress on our six priority areas of People, Diversity, Customer Centricity & Innovation, Communities and the Environment, underlined by Corporate Governance and Business Ethics:

- Our Code of Conduct was refreshed and relaunched and is now available on our website in 12 languages
- We have established a Global Diversity & Inclusivity Council and introduced unconscious bias training for individuals in hiring roles
- The Keywords Cares matching programme was launched in which Keywords will match funds raised for good causes by our teams around the world
- We put in place a US$500,000 hardship fund to support colleagues experiencing financial hardship as a result of COVID-19
- For the first time we have quantified our greenhouse gas emissions focusing on scope 1 and 2 emissions

We have established a Responsible Business Board Committee and we look forward to reporting on the progress in each of our priority areas going forward.

Outlook

Trading in 2021 has started well despite the ongoing COVID-19 related constraints. The vast majority of our business continues to operate a remote working model that we have supported efficiently and robustly and, having put in place effective alternative remote solutions for our Audio and Testing service lines, the Group is well placed to support its clients through further restrictions.

On an ongoing basis, we are adopting an approach tailored to a studio's needs in each of the 65+ locations in which we have our production operations. Each studio continually assesses the needs and desires of its staff, local guidelines, and the requirements of our customers in determining how much, if any, of its operations move back into studios. As such, we are retaining a very flexible approach to where and how we work in order to adapt to the evolving COVID-19 related challenges and keep Keywordians safe over the months ahead.

The underlying drivers of growth across the video games market have been accentuated during the pandemic. Publishers have experienced strong growth in both the number of players and the amount of game play, yet they have faced content production constraints through the pandemic. As such, we expect them to turn their focus in the near to medium term to increased development of new content to keep their expanded player base engaged.

We are already experiencing strong demand across all our service lines, as we are starting to see the benefit of the newly launched PlayStation 5 and Xbox Series X|S consoles, alongside the ongoing development of new subscription and streaming platforms.

We also continue to see strong evidence of the trend to outsourcing, in which context we are delighted to have been joined on the Board by Sonia Sedler as Group COO, and subsequently as Joint Interim CEO. Sonia brings significant operational and business development experience for large, global professional services and BPO companies such as Accenture, Sutherland and Diebold Nixdorf to the Group. Her appointment provides further breadth to the management team, as we drive the Group's continued organic and acquisition led growth in the years ahead.

Having acquired eight high quality businesses since our successful placing in May, deploying total capital of up to c. €137m, the cash generative nature of the business means we remain well placed to continue to execute on selective acquisition opportunities. We have a dedicated acquisition team who work with the Service Line Directors and the Regional Managing Directors to identify high quality targets to help build out our global service platform. We will continue to invest in scaling our Marketing Services and Game Development businesses to the point where they are seen as the "go to" providers. We will also seek to acquire businesses in our service lines to add specific expertise, access to new talent pools or where doing so leads to meaningful operational synergies.

We maintain an active interest in neighbouring markets such as film and television services where we are seeing an increased convergence towards game technology and where our mastery of AI game engines, localization, audio, visual effects and art creation for the most complex and interactive form of content can be readily deployed. Throughout 2020, we have made steady progress in developing our subtitling, dubbing, audio description and sound design services primarily for over the top (OTT) providers such as Netflix and Amazon, and we are pleased to see the increasing adoption of video game based production techniques as these industries look for faster and more cost effective ways of generating content.

The Group's strong position in the buoyant video games market, our increasingly sought after 9,000-people strong resource base, a robust business model that has proven to be not just resilient in the face of the pandemic but capable of continued rapid growth, together with our financial strength, place us well for further growth and long-term success.

Jon Hauck
Joint Interim Chief Executive Officer

Market outlook

> Keywords provides essential technology and creative services to the high growth, dynamic video games market. We work with the world's leading games publishers and developers helping them create, adapt and support their content in live operation.

Forecasted industry CAGR

9.4%

A large and growing industry

The COVID-19 pandemic accelerated both revenue and player engagement trends across the video games industry in 2020, with revenue growth of 19.6% to $175bn. Games industry analysts, New Zoo have recently increased their overall industry growth forecasts to a CAGR of 9.4% (previously 8.1%) with revenue forecast to increase to $217.9bn in 2023 (Source: NewZoo Global Games Market, for the period 2018-23).

Whilst Keywords has experienced strong demand during this period, the exceptional impact of the global pandemic has not directly translated into more content being created, which is what drives our growth. In fact, well-publicised delays in the production schedules of some games and more general disturbances to the flow of content caused by the pandemic probably held back the growth of our addressable market in 2020. This is potentially creating a "deficit" between the expansion in game playing and associated high monetisation and the rate of content development. This could point to pent up demand for new content and is likely to lead to a shifted pattern of demand for our services in 2021 and 2022 as publishers and developers accelerate content production rates to capture the increased player engagement.

Increasing trend to outsource

Keywords is benefitting from both structural trends to outsourcing from video games publishers and developers to service providers, and the ongoing consolidation of the services industry, which it continues to lead.

The video games industry has traditionally been highly vertically integrated with most production activity still conducted in-house by major publishers and developers. As the market continues to grow and becomes ever more complex, games publishers and developers are increasingly seeking to avoid expanding their own teams and a higher proportion of work is being entrusted to third party service companies like Keywords. The video games publishing cycles are inherently lumpy, requiring significant resources to deliver complex projects on a tight timeline. This is resulting in a trend towards increasing outsourcing at a more strategic level which benefits Keywords as the market's leading provider of scale. This includes a growing demand for co-development and full game development services, and we are investing to match that demand and continue to increase our market share.

So far, much of the outsourcing in the industry has been undertaken on a tactical basis, meaning the video games service provider market remains highly fragmented. This in turn provides an opportunity for the selective consolidation of this part of the industry, which Keywords continues to lead. This consolidation in turn brings benefits of scale enabling us to achieve operational synergies through more efficient use of resources, leveraging tools and technologies and leading innovation in the industry.

As the only service provider of scale with depth and breadth in all areas, Keywords is uniquely placed to support our customers' needs with a balanced business across multiple different technology-enabled services and geographies. This is proving a virtuous circle, as a key part of the attraction for acquisition targets is the desire to be part of a larger group with access to a wider customer base and service offering. It also means we are increasingly benefitting from our scale relative to competitors, as we further consolidate our market, and can respond flexibly to increasingly large scale projects from our customers.

Key trends in 2021 and beyond

"Keywords is uniquely placed to support our customers' needs."

Global games revenues forecasted to reach $218bn by 2023

Source: Newzoo 2020 Global Games Market Report, November 2020

1

Next generation consoles

The recent launches of the PlayStation 5 and Xbox Series X|S represent a structural growth opportunity for Keywords. New console cycles typically provide a catalyst for increased content creation as newer games require ever more complex visual and audio support due to the increasing level of sophistication in graphics and gameplay. There is also likely to be a longer overlap with the previous generation of consoles, as publishers look to maintain engagement on existing games through continued content production as well as producing new content for the new consoles, further increasing the demand for our support services.

2

Games as a service

Games are increasingly being operated as live services – Games as a Service. The outsourcing of parts of these operationally intensive live operations services, including the introduction of new features, new characters, producing marketing materials, plus further localization and testing and of course player support has resulted in this becoming an important, stable revenue source for Keywords. Today an estimated 30-40% of our revenues are currently generated from "evergreen" services, titles operated on a "games as a service" basis.

The transition to next generation consoles will this time be smoothed by the trend to the "games as a service" and free to play models. We anticipate game publishers will want to continue to support existing content that is commercially successful while simultaneously producing new content that takes advantage of the power and features of the new consoles.

3

Wider adoption of subscription and cloud gaming platforms

In addition to next generation consoles and PCs, publishers are also looking to expand beyond these traditional market endpoints given the wider market opportunity in subscription and cloud gaming platforms including Microsoft, Apple, Google and Amazon.

Presently, gaming can be costly for the user, with the requirement for high end gaming PCs, expensive consoles and high end smartphones limiting the access to and uptake of some games. Subscription and cloud services have the potential to provide highly cost-effective distribution of content, making it available to more players, on more devices, in more countries, and in more languages.

Now more than ever, video game technologies are also being used in other markets including e-learning, film and TV, and architectural visualisation as content providers continue to seek ways to make their content more interactive and thereby more impactful and engaging. Keywords is uniquely positioned to support interactive content of any type through the skills and experience it has accrued in the most interactive of all content markets – video games.

Business model

> Creating value and growth through operational efficiency

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

By working as their external development partner, we enable leading content creators and publishers to leverage our expertise and capacity across the lifecycle of interactive content.

In so doing we enable our customers who are operating in complex and fast-moving environments to remain lean and agile, and to focus on creating and monetising the most engaging experiences.

Outsourcing such work is attractive to developers and publishers because it converts their fixed costs into variable costs, helps remove bottlenecks in capacity by providing access to talent as required and enables them to focus on their core competencies.

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

Barriers to entry

Scale and flexibility

Large customers need large reliable suppliers with flexible resourcing to match their needs. Particularly true in testing, allowing us to scale up or down to meet demand, mirroring the seasonality of games production.

Reputation for quality

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

Knowledge and expertise

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

Global presence

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

Technology

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

Financial strength

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

What we do

Keywords' presence in each stage of the games development cycle creates multiple opportunities for cross delivery and revenue growth, with the services offered by Keywords outlined below:

1 Pre-production

Concept art, level design and game design.

2 Early stage game development

Full game development, co-development, art production, cinematics/visual effects, audio production, original language voice production, engineering, development quality assurance, game demo trailers, music scoring, sound design, story writing.

3 Later stage game development

Functional testing, text localization, audio localization, localization testing, player research, game porting and remastering, music branding and strategy.

4 Launch

Certification testing, official game trailers, soundtrack publishing, marketing services and customer acquisition.

5 Ongoing live operations support

Player support, community management, data analytics, payments processing, game analytics, social integration and customer retention.

6 New content for games

Game extensions, level expansions, art, audio, testing, localization and marketing.

Supported by our

Strategic pillars

- Building our platform
- Selective acquisitions and integration
- Organic growth and cross selling

Read more on **p.22–23**

Responsible & sustainable operations

Keywords conducts its business to the highest standards of honesty, integrity and ethics while taking its wider corporate responsibility, role in society and environmental impact seriously.

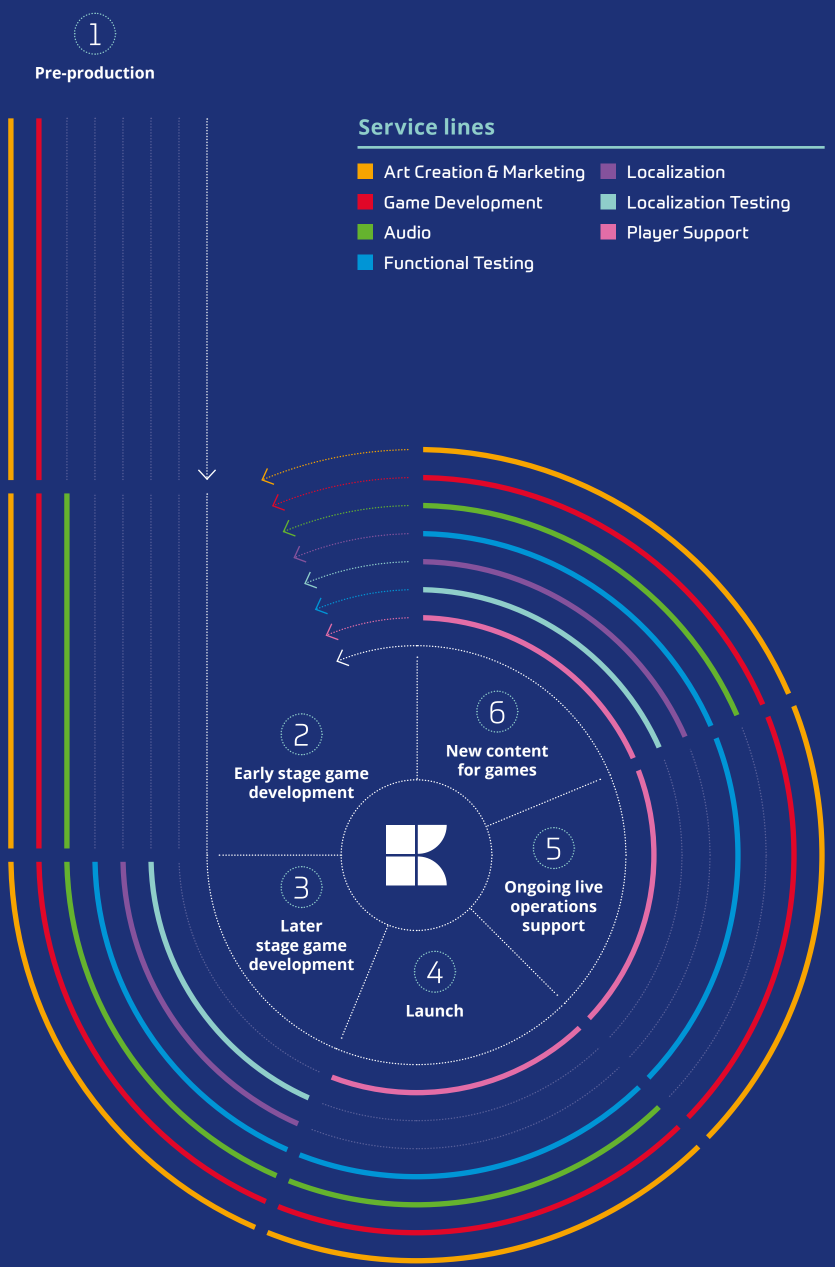
Read more on **p.36–45**

Culture

Our culture acts as the glue that binds all Keywordians around the world together. At the heart of our culture are our operating principles, the "Keywords Rule of 9".

Read more on **p.32–35**

Supporting the full Game Development Life Cycle



Creating value for stakeholders

Shareholders

- Consistent track record of delivering revenue and profit growth.
- Access to a structural revenue growth opportunity driven by industry growth and a trend towards outsourcing.
- Proven disciplined M&A track record to consolidate a fragmented global supplier base.
- Opportunity to invest in the exciting video games market, without the risk of exposure to the successes or failures of individual game titles.

39% CAGR in Adjusted EPS since 2014*

Customers

- Keywords' involvement across the video games cycle means that we can be a "one-stop-shop" for our global customers.
- Match customer requirements with a combination of on-demand and dedicated services facilitated.
- Wide geographic reach provides access to the best pools of talent and enables a flexible resource model.
- Multiple opportunities for cross selling and revenue growth.

120 customers using 3 or more services (up from 30 in 2014)

Employees

- Keywords provides employees with an excellent and sustainable variety of work.
- Good career advancement opportunities both within and across our seven service lines.
- Opportunities to work on the leading global game titles.
- Diverse, passionate games colleagues

8,353 Average number of employees (up from 978 in 2014)

* Adjusted earnings per share comprises the adjusted profit after tax divided by the non-diluted weighted average number of shares as reported in the APMs.

Our strategy

On a quest

To become the "go to" technical and creative services provider for the video games industry and beyond.

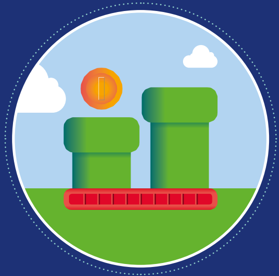
The key pillars of our strategy are to grow organically and by acquisition to extend the Group's service capacity, capabilities and geographical reach in order to better serve our client base across all platforms, key geographies and languages, with a full range of services and solutions.

Positioning the Group as the provider of scale in an otherwise highly fragmented service provision market, despite the global scale and nature of the major video games publishers and developers, will enable us to continue to take advantage of the trend towards greater externalising of development and support services as customers seek to manage the demands for increasingly frequent and sophisticated content in a cost effective manner. By investing in expanding capacity and across our multi-service global platform, we are increasingly becoming a strategically important partner to our customers who require a service provider of our scale and flexibility.

As we develop positions of scale within our chosen markets, our focus moves to new areas where we see opportunities to expand through a mixture of organic and acquisitive growth.

Strategic pillars / **Progress in 2020**

Building our platform



- We continued to grow our service lines, aiming to make them the "go to" providers for their respective sets of services.
- Our largest service line, Game Development, has benefitted from three further investments in acquisitions and organic openings of new studios.
- Continued to enhance our marketing services capabilities (first entered in 2018) with three acquisitions during the year, bringing the number of Keywords specialist marketing studios to eight.
- Expanded and grew our global testing capabilities in new and existing regions with facilities opened in Katowice, Mexico City, and New Delhi, improving further our access to important talent pools.
- COVID-19 also highlighted the resilience of our platform, with currently c. 6,900 Keywordians (approximately 80%) working from home.

Selective acquisitions and integration

- Announced seven acquisitions during the year which added to our existing scale and capabilities in Game Development, Marketing and Audio services.
- These acquisitions are being integrated within the service lines as well as within the country and regional management structures into our global finance, accounting, HR and IT functions.
- Increased our presence in North America with selective acquisitions bringing operations in Chicago and New Orleans that provide access to important talent pools in those locations.
- Made good progress with integrating prior period acquisitions, which are making good contributions to the Group.

Organic growth and cross selling

- Despite the challenges of COVID-19, Organic Revenue grew by 11.7% in 2020 (2019: 15.5%).
- Resilient growth performance given the significant disruption from COVID-19 and the resulting disruption to content production in the industry.
- Continued to expand our client relationships by making good progress with cross selling our services. In 2020, the number of clients buying three or more services from us increased once again, to 120 from 108 in 2019.

Priorities in 2021

- In 2021, we will continue to build our platform so we are increasingly a strategically important partner to our customers.
- We plan to make further acquisitions in the game development space, as we build this business into the provider of choice.
- Marketing services should see further acquisition opportunities, as we continue to widen the range of services we can offer and expand the geographies we can cover.
- Additionally, given the scale of our marketing services, we plan to break out Marketing Services into a separate service line from the first half of 2021.
- We anticipate a gradual return to the office in 2021, while engaging with customers and employees on retaining a mix to these new ways of working where security and productivity considerations allow.
- 2021 will also see prudent investment as we develop our platform to service our clients' projects across our expanding multi-service global platform.

Measures of our success

7
service lines, up from two in 2009, four in 2013 and six in 2016.

5
continents in which we have operations. We now have 43% of our people in North America and South America, 26% in Europe and 31% in Asia and Australia.

8,353
average number of employees in 2020.

- The Group's acquisition programme continues to be an important strategic pillar and we anticipate that 2021 will again contain a number of acquisitions.
- Aim to continue the pace of acquisitions, investing between €40m to €80m per year.
- Our service lines are ever developing, and there are gaps in most of them. We will continue to make selective acquisitions that further enhance and extend each service's capabilities in 2021, particularly in Marketing services and Game Development.
- We are mindful of the integration challenges and therefore acquisitions will likely be spread across geographies and across services lines to avoid management overstretch.
- Keywords will continue to develop and invest in technologies that support the services we provide to game developers and game publishers.
- Following considerable success expanding into the key global video games markets, geographical expansion remains a lower priority driver in 2021 as we continue our focus on enhancing our capabilities in regions where we already have a presence.

€137m
maximum consideration for acquisitions since placing in May 2020.

8
acquisitions since placing in May 2020.

52
acquisitions since IPO.

- Organic growth remains our priority focus and we expect to grow faster than the market for our services as we benefit from the trend towards outsourcing and capture market share.
- Looking to benefit from an increasing demand for new content following COVID-19 disruption in 2020 and the new console cycle.
- Cross-selling within our services is vital and we have continued to see noticeable growth in the number of customers that are benefitting from the use of three or more of our services, a key reflection of our "relevance" to customers.

11.7%
Organic Revenue growth.

968
customers in 2020, versus 978 in 2019.

120
customers using three or more service lines. Up 11% from 2019.

Key performance indicators

Hitting the target

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

Revenue growth

14.4%

2020	14.4%
2019	30.2%

Organic Revenue growth

11.7%

2020	11.7%
2019	15.5%

Gross margin

38.0%

2020	38.0%
2019	36.8%

Adjusted operating costs as a % of revenue

18.1%

2020	18.1%
2019	19.2%

Reasons for choice

Revenue growth	Organic Revenue growth	Gross margin	Adjusted operating costs as a % of revenue
Quantifies the growth in revenue from our operations on a reported basis.	Due to the number of acquisitions the Group makes and because it integrates them quickly, this provides the most meaningful measure of underlying revenue growth without the distortion of foreign currency movements.	The Board believes this to be a consistent measure of trading performance.	The Board monitors overheads to ensure the operating costs of the Group are in line with the level of business being generated.

How we calculate

Revenue growth	Organic Revenue growth	Gross margin	Adjusted operating costs as a % of revenue
Increase year on year in reported revenue.	Calculated by adjusting the prior year revenues, adding pre-acquisition revenues for the corresponding period of ownership to provide a like for like comparison with the current year, and applying the prior year's foreign exchange rates to both years.	Revenues from services supplied to customers less cost of sales, as a percentage of revenue.	Administration expenses, before non-operating costs including share option expense, costs of acquisition and integration, amortisation and impairment of intangible assets, depreciation, non-controlling interest and bank charges, expressed as a percentage of revenue.*

Objectives

Revenue growth	Organic Revenue growth	Gross margin	Adjusted operating costs as a % of revenue
The Group aims for continued revenue growth and development.	The Group aims to achieve Organic Revenue growth ahead of market growth.	The Group aims for gross margins in line with historic norms.	The Group will continue to seek to control these costs closely and in line with the level of business being generated.

* In order to present the measure consistently year-on-year, the impact of COVID-19 government subsidies claimed and where relevant, investment income is also excluded.

Adjusted EBITDA margin

19.9%

2020 19.9%

2019 17.6%

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

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

The Group aims to increase margins through operational efficiencies.

Adjusted profit before tax margin

14.7%

2020 14.7%

2019 12.5%

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

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

The Group aims for margins in line with historic norms.

Adjusted cash conversion rate

97.2%

2020 97.2%

2019 80.2%

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

Adjusted free cash flow before tax as a percentage of the adjusted profit before tax. The calculation is described in more detail on page 143.

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

Growth in adjusted EPS

24.9%

2020 24.9%

2019 7.2%

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

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

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

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

* In order to present the measure consistently year-on-year, the impact of COVID-19 government subsidies claimed and where relevant, investment income is also excluded.

Service line review

A gateway to growth

With the exception of our Localization business, which was held back by scheduling delays further upstream, all our service lines grew during 2020, despite the pandemic and the operational challenges it continues to present.

The following table provides a summary of our revenues by service line, their growth rates on a reported basis and Organic Revenue growth. We have also presented Pro Forma Revenue by service line, which includes the annualised revenue of all acquisitions made in the year, to provide a better overview of the size and balance of the business at the end of the year. The service line commentary which follows reports on the statutory reported revenues unless otherwise stated.

Revenue	2019 Revenue €m	2020 Revenue €m	Change from 2019 %	2020 Organic Revenue growth %	2020 Pro Forma Revenue €m
Art Creation & Marketing	43.6	57.3	31.4%	**17.9%**	**73.2**
Game Development	66.3	80.0	20.7%	**17.1%**	**98.0**
Audio*	41.9	47.2	12.6%	**5.8%**	**48.6**
Functional Testing	68.9	78.5	13.9%	**16.1%**	**78.5**
Localization*	47.1	45.4	(3.6)%	**(4.0)%**	**45.8**
Localization Testing	22.6	23.3	3.1%	**4.4%**	**23.3**
Player Support	36.1	41.8	15.8%	**17.5%**	**41.8**
Total	**326.5**	**373.5**	**14.4%**	**11.7%**	**409.2**

* The prior year comparative has been re-classified to reflect the current year presentation as the Directors consider this to be more meaningful.

Art Creation & Marketing

Percentage of 2020 Group revenue

2020 Organic Revenue growth (%)

17.9%

Pro Forma Revenue (€m)

€73.2m

Average operational staff

1,294

Our Art Creation service line creates graphical art assets for video games including concept art creation, 2D and 3D art asset production and animation. Also included under Art Creation is Marketing services including game trailers, marketing art and materials, PR and full brand campaign strategies which we are building through acquisitions, and subsequent organic growth.

2020 performance

Following some initial operational and commercial disruption from the very early stages of the COVID-19 pandemic, which forced the closure of studios in China and India particularly and some delays to early stage marketing planning, Art Creation has seen strong demand across all of its businesses and has settled firmly into new ways of working.

Art Creation & Marketing revenues grew by 31.4% to €57.3m (2019: €43.6m) with the benefit of full year contributions from 2019 acquisitions, Sunny Side Up and Ichi, and from the acquisitions of Maverick Media, g-Net and Indigo Pearl, made in August, November and December 2020 respectively. Organic Revenue, which excludes the impact of currency movements and acquisitions, grew by 17.9% for Art Creation & Marketing with a marked acceleration in H2, where revenues grew by 28.3% organically, reflecting more settled operations, some catch up demand from H1 and strong underlying client demand.

During the year we added significant scale to our Marketing services line with the acquisition of three high quality businesses:

- **Maverick Media** – one of the longest established video game creative agencies in Europe, based in London. It has an impressive 25-year track record in TV commercials, live action projects, video game trailers, key art and social media work for some of the world's leading games publishers, developers and brands.
- **g-Net** – a Los Angeles based, multi-award-winning studio providing creative and strategic marketing services for leading games publishers and media and entertainment companies. The 85-strong talented team brings significant scale and experience of working with some of the most iconic games franchises to the Group's Marketing Services line.
- **Indigo Pearl** – a full service PR agency specialising in the video game sector, based in London. It supports its clients across traditional PR, social media and influencer driven campaigns, and technology-enabled PR and marketing asset management solutions.

The market opportunity and outlook

Art Creation & Marketing services operate in large addressable markets which remain highly fragmented. This is particularly true of Marketing, given the range of services provided both internally and externally which range from key art, trailer creation, advertising, PR, branding, campaign management, influencer marketing and management through to marketing analytics and community management. Our broad geographical spread enables us to transfer work between locations as needed, thereby offering greater business continuity than many of our competitors and positioning us well with our customers.

Through our ongoing organic efforts and further acquisitions, our aim is to establish our highly specialised video games Marketing Services business as the partner of choice for games publishers and developers when looking for global reach and deep expertise in a sector, which itself stands out due to the interactive nature of the product and the strength of the gaming communities that form around the games.

For both Art and Marketing we are starting 2021 with better than normal revenue visibility partly due to some carry forward from 2020 but perhaps also signalling a year of even stronger demand ahead.

As previously stated, we will be reporting separately on our Marketing service line at our first half 2021 results.

Service line review continued

Game Development

Percentage of 2020 Group revenue

2020 Organic Revenue growth (%)

17.1%

Pro Forma Revenue (€m)

€98.0m

Average operational staff

1,036

Our Game Development service line provides external development services to game developers and publishers including full game development, co-development, porting and general software engineering consultancy.

2020 performance

Now our largest service line, Game Development increased revenues by 20.7% to €80.0m (2019: €66.3m). This increase reflected a full contribution from Wizcorp, which was acquired in April 2019 and contributions from Coconut Lizard and High Voltage acquired in June and December 2020 respectively. Game Development transitioned smoothly to a work from home model from March onwards in response to COVID-19 related lockdowns in the various cities in which we operate. Whilst we continue to work under restrictions in most of the countries in which we operate, Game Development achieved a 17.1% increase in Organic Revenue (which excludes the impact of currency movements and acquisitions), compared to 2019, despite strong comparatives as we moved into the second half of the year. As with other parts of our Group, Game Development was held back in 2020 due to the challenges of COVID-19, which affected our recruitment, training and on-boarding activities as well as curtailing our usual trade show-centric, business development activities. Nonetheless, we have started to benefit from our expansion in the latter part of 2019 and early in 2020 into Leamington Spa in the UK, Singapore and Austin, Texas.

Despite the challenges of the global pandemic, demand for these services remains very strong and we are continuing to build our Game Development service line through organic expansion as well as through acquisitions, where we maintain a focus on accessing pools of talent from which we can expand organically, as the industry continues to make greater use of external development services.

During the year we have announced three high quality businesses to grow and diversify our Game Development offering:

- **Coconut Lizard** – a well-regarded provider with particularly deep expertise in the video game development environment, Unreal Engine. Based in Gateshead near Newcastle, UK, Coconut Lizard draws from a regional talent pool that is well served by the local universities in the area.
- **Heavy Iron** – a specialised game development business primarily focused on high end console and PC games, based in Los Angeles. The acquisition was announced in September 2020 and closed in January 2021.
- **High Voltage** – an end to end full service AAA game developer with a 27 year track record of game development across all platform types and genres of games, based in Chicago, Illinois and New Orleans, Louisiana. High Voltage fits well geographically with our other North American studios, which are based in Orlando, Austin, Los Angeles and Ottawa, enabling us to draw on a broader spread of local talent.

In addition, we recently announced the acquisition of an 85% stake in Tantalus. Tantalus is a leading and prolific developer of high quality, multi-platform titles based in Melbourne, Australia and provides us with access to a new talent pool and offers an excellent entry point into the Australian market for further expansion in the region, both organically and through a healthy pipeline of acquisition opportunities.

The market opportunity and outlook

Game Development is our largest addressable market. The market is growing strongly and has the lowest proportion of services outsourced of all of the Group's service lines. Characterised by "per project" engagements, rather than the ongoing service provision for many of our other service lines, Game Development revenues can be impacted by the transitions from one project to another. As a result of COVID-19, we have witnessed some delays in new projects flowing to our Game Development team, which may hold this service line back from maintaining the previously very strong growth rates, particularly against strong comparatives, albeit the underlying trend in this area of our business remains extremely positive with demand for its services very strong.

As previously communicated, Game Development remains an area of particular focus in our M&A programme, where we continue to assess companies that provide access to strong pools of talent to help support the fast pace of organic growth.

Audio

Percentage of 2020 Group revenue

12.6%

2020: €47.2m
2019: €41.9m
+ 12.6%

2020 Organic Revenue growth (%)

5.8%

Pro Forma Revenue (€m)

€48.6m

Average operational staff

230

Our Audio service line provides multi language voice-over, original language voice recording, music, sound design, accessibility and related services to the video games, film and TV industries.

2020 performance

Audio revenues rose by 12.6% in the period to €47.2m (2019: €41.9m), with the benefit of full contributions from the 2019 acquisitions of Descriptive Video Works, TV+SYNCHRON, and Syllabes and just a few days of contribution from the December 2020 acquisition of Jinglebell in Milan, Italy. Jinglebell added a boutique recording studio that provides audio recording, music production and sound design for video games and advertisements to a strong client base. Organic Revenue, which excludes the impact of currency movements and acquisitions, increased by 5.8% compared to 2019.

Our Audio services business was held back throughout the year but particularly in the first half by the closure of their recording studios during the lockdowns in their respective cities. We were able to partially mitigate the effects of these closures by introducing a remote recording solution. Whilst this is not our preferred method, it has proved a very reliable alternative. H2 Organic Revenue growth improved to 8.7%, following the 0.5% growth achieved in H1.

The market opportunity and outlook

Whilst COVID-19 restrictions continue during 2021, our adoption of a reliable remote recording solution will enable us to continue to deliver on our clients' needs.

Beyond the near term, the audio services market remains highly fragmented in terms of service provision, with clients and voice actors favouring professional, high quality sound studios for optimal voice recording. This represents an opportunity for us to grow our market share organically, as well as make acquisitions over time as we did with the acquisition of Jinglebell at the end of the year.

Our music management services, sound design and sound effects businesses have continued to grow as did our work in subtitling and dubbing of film and TV content where we serve clients such as Netflix, Amazon and other streaming providers.

Functional Testing

Percentage of 2020 Group revenue

21.0%

2020: €78.5m
2019: €68.9m
+ 13.9%

2020 Organic Revenue growth (%)

16.1%

Pro Forma Revenue (€m)

€78.5m

Average operational staff

2,703

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

2020 performance

Functional Testing revenues increased by 13.9% to €78.5m (2019: €68.9m). Organic Revenue, which excludes the impact of currency movements and acquisitions, increased by 16.1%.

This represented a strong performance, given that this service line was considerably constrained at the beginning of the lockdowns in H1, as we worked through our agreements with our clients to reflect the new security protocols required in a remote working environment, rather than our norm of conducting these services in our secure testing studios. During H2 and into 2021, we are continuing to operate this business with a remote working structure, focusing our limited use of our secure facilities for recruitment, training and a limited amount of testing, where it is safe to do so.

The market opportunity and outlook

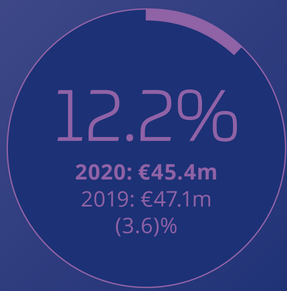
Despite the limited use of our facilities and some constraints on our ability to recruit and train staff, Functional Testing scaled well into the seasonal peak months of September and October, delivering a strong 20.6% Organic Revenue growth rate in H2, despite the strong comparatives of H2 2019.

We remain a leading player in this large and growing area of the market that is seeing an accelerating trend towards outsourcing. Our scale, flexibility, geographical spread and proven robustness, even in the most challenging of circumstances, positions us well as games companies continue to increase the proportion of functional testing that they outsource.

Service line review continued

Localization

Percentage of 2020 Group revenue



2020 Organic Revenue growth (%)

(4.0)%

Pro Forma Revenue (€m)

€45.8m

Average operational staff

375

Our Localization service line provides translation of in-game text, audio scripts, cultural and local adaptation, packaging and marketing materials. We have also recently added neural machine translation technology and a global crowd-sourcing translation platform, through the acquisition of Kantan in December 2019.

2020 performance

Localization revenues were down by 3.6% to €45.4m (2019: €47.1m). Organic Revenue, which excludes the impact of currency movements and acquisitions, was down by 4.0%. This reflected some delays in the receipt of content in H1, as production schedules further upstream were disrupted at some of our clients. However, Localization returned to Organic Revenue growth in H2, which was up 0.3% on the comparative period in 2019.

The market opportunity and outlook

Having strengthened our sales efforts, we expect to build on the improvement seen in H2 2020 as we move into 2021.

The Localization market remains highly fragmented and characterized by most competitors being single language providers without the scale to deliver simultaneous multi-jurisdictional localization projects for our global video games customer base. In this context, we plan to build on our team's leading market position through an increasingly differentiated offering. This combines the market leading expertise we have built up in localization over the past 20 years, with proprietary software tools, like XLoc, and the recently acquired Artificial Intelligence (AI) and Machine Learning (ML) technology from Kantan, which enables us to manage a greater volume of content for our clients.

Localization Testing

Percentage of 2020 Group revenue

6.3%

2020: €23.3m
2019: €22.6m
+ 3.1%

2020 Organic Revenue growth (%)

4.4%

Pro Forma Revenue (€m)

€23.3m

Average operational staff

591

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

2020 performance

Localization Testing revenue increased by 3.1% to €23.3m (2019: €22.6m). On an Organic basis, which excludes the impact of currency movements, Localization Testing was 4.4% higher compared to 2019.

Localization Testing experienced the same operational disruption and constraints seen in our Functional Testing division during H1, compounded by some lack of availability of native language resources due to people returning to be with their families in their home countries and the subsequent travel restrictions. However, as in the case of Functional Testing, we have successfully transitioned the majority of people to remote working and are also now using our studios for priority activities, where it is safe to do so.

Localization Testing experienced good demand in the second half in relation to a number of AAA game releases, including some for the new Microsoft and Sony console releases. Whilst the pandemic continues to present challenges for the recruitment and training of native language testers, our efforts to mitigate these enabled higher Organic Revenue growth in H2 2020 of 5.9% compared to H2 2019.

The market opportunity and outlook

Having worked to mitigate the operational constraints experienced in 2020, we expect Localization Testing to build on the momentum seen in H2 during 2021.

In this service line, the Group's scale, breadth of languages, multi-location operations and resourcing agility enable it to offer a cost effective, flexible and high quality service which is difficult for smaller competitors to replicate. Our market leadership positions us well for further growth as we continue to develop our operations in Montreal, Dublin, Katowice, Milan, Singapore and Tokyo.

Player Support

Percentage of 2020 Group revenue

11.2%

2020: €41.8m
2019: €36.1m
+ 15.8%

2020 Organic Revenue growth (%)

17.5%

Pro Forma Revenue (€m)

€41.8m

Average operational staff

1,539

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

2020 performance

Player Support increased revenue by 15.8% to €41.8m (2019: €36.1m) and Organic Revenue, which is on a constant currency basis, by 17.5%.

Player Support returned to growth in H1, and successfully transitioned its teams around the world to remote working arrangements enabling it to provide continuous support to its clients. Good demand throughout H2, with this service line being a more direct beneficiary of increased game play, combined with well-focused business development campaigns, helped Organic Revenues grow 29.7% in H2 compared to H2 2019.

The market opportunity and outlook

Player Support's progress in the year demonstrates the benefits of our strategy to differentiate it from the large generalist call centre operators and immerse ourselves even further into gaming communities. This has been achieved by extending our services to cover more "touch points" of gamer engagement, and by developing our systems and tools to enable us to manage increased volumes of transactions efficiently.

Our specialist video games "DNA", extensive range of capabilities and fundamental understanding of what is important to players, continues to position us well in terms of the quality of our service delivery compared to more generalist providers, and we expect to make further progress in 2021 albeit at a more moderate growth rate.

Our people – at the core of what we do

Our culture acts as the glue that binds all Keywordians around the world together – relaxed, professional and humble with a focus on doing the very best we can for our clients through each and every project they entrust to us.

Our people

At Keywords, an average of 8,353 full time equivalent employees make up our international, digital-first, highly diverse and multicultural team and we are well balanced across our three regions; 43% in North and South America, 26% in Europe and 31% in Asia. The number and diversity of people and skills in our workforce allows us to be well placed to deploy these skills across the industry to meet all of our customers' needs.

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

We are proud of the passion, commitment and professionalism of this valuable resource of ~9,000 Keywordians which means there is a contribution from Keywords to most of the world's leading games. COVID-19 demonstrated the resilience of all Keywordians and we would like to thank everyone involved for their incredible contribution to the continued success of the Group.

Keywords Rule of 9

At Keywords, we encourage our people to engage with each other not only across our studios but across our regions and global network. Through knowledge sharing and open plan offices, we encourage our colleagues to be the very best at what they do. At the heart of our culture are our operating principles, the "Keywords Rule of 9".

1 Communication
We communicate openly and in a timely fashion. We do not hide things from colleagues or clients and we avoid office politics.

2 Project Focus
We focus on projects, delivering the best we can for the benefit of each and every product we touch.

3 Client Centricity
We act as an extension of the client's organisation, moulding our processes and procedures to fit their requirements whilst sharing our knowledge of best practices.

4 Empowerment
We empower our people to perform to the best of their ability by providing them with the resources and environment to do their jobs and the tools to track and measure their performance.

5 Passion for Games
We are passionate about games and are proud of our role in helping to deploy them and we play an active role in the wider industry.

6 Client Intimacy
We love our clients (all of them) and want the best for them at all times.

7 Positivity
We have a "can do" attitude and rise to the challenge of solving our clients' problems.

8 Flexibility
We recognise the importance of flexibility and actively embrace it despite the obvious challenges. Flexibility is why we exist at all. Without it, clients would perform the tasks we do, themselves.

9 Learning & Growing
We learn at every opportunity and grow ourselves through experience, training and tackling new challenges.

Working with our customers

We are fortunate to be able to count 23 of the top 25 global games developers and all of the top 10 mobile games publishers by revenue as our customers. These companies expect the highest level of service and our diverse capabilities allow us to satisfy our customers' needs every time. Increasingly, these customers prefer to outsource multiple services to one provider, and this is where we are uniquely positioned to meet expectations.

We offer our clients flexible, scalable solutions that match their overall requirements.

Year on year, we find ourselves more embedded with these clients, having access to their development environments and integrated further into their workflows.

Joining the Keywords family

We are a highly acquisitive business and have strict criteria for our acquisition targets, by far the most important of these being cultural fit. Before acquiring an acquisition target we complete detailed due diligence that ensures the seamless integration of the new studio and most importantly the new colleagues. From day one, we want them to feel like part of the Keywords family, while, at the same time, appreciating the history and richness that the new studio brings to Keywords. One mark of our integration success is that over half our senior executive team joined us through acquired companies.

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

Supporting our communities

Through our studios across 22 countries, we place the support of our local communities, including our employees, at the heart of what we do. In order to do more to support good causes across the communities that we are a part of, we have set aside an annual central fund of €100,000 under the Keywords Cares initiative. Throughout 2020, Keywordians with the support of Keywords Cares, raised funds of over €46,000 and supported various community and employee-led events.

Diversity and Inclusion

Members of our Localization service line come to us from literally around the world, representing their respective regions and languages. This year, the Montreal based Localization team delivered pro bono translation services to the Black Academic Scholarship Fund, in its mission to enhance the economic status of Black students to pursue post-secondary education.

In the UK, Studio Gobo and Electric Square launched a new BAME in Games Mentorship programme designed to help minority ethnicities in the video games industry, as part of their Developing Minds initiative. The programme currently consists of 30 mentors and over 40 mentees. The Developing Minds initiative will also develop video and articles from experts, with volunteers going out to schools, events and universities to speak about the industry.

In Los Angeles, Keywords matched employee donations to combat racism, through the work of the National Association for the Advancement of Colored People (NAACP) and the Equal Justice Initiative. Keywords Montreal donated to the DESTA Black Youth Network, which provides employment and educational support for Black youth.

Celebrating Pride is an annual summer tradition at Keywords. While parades were cancelled around the world due to COVID-19 restrictions, the festivities would not be forgotten. At Keywords we celebrated LGBTQIA+ employees and community by creating our own Pride around the World: online edition. 92 employees from studios around the world submitted photos and messages, shared colourful images, and messages of how Pride is meaningful to them.

Studio Gobo and Electric Square joined forces organising and participating in a Pride quiz. The studio made a donation to Mind Out in support of LGBTQIA+ mental health resources, while Interligne, a similar organisation received a donation from the Montreal studio.

Case study

4

Empowerment

During the Chinese New Year holidays in 2020, Keywords' studios in China faced a challenging situation with COVID-19 concerns and employees about to resume work. To allow for their safe return, management immediately created an emergency response team and began the extremely difficult task of sourcing face masks, hand sanitiser, disinfectant and other personal protective equipment (PPE) items over the holidays. Fortunately they found a local supplier who provided over 10,000 masks, enough to ensure that more than 50% of Keywordians in China could return to studios on 10 February, as planned.

Painting by Jon Youseman – Lead Engineer

By early March, as China was making significant progress in the battle against COVID-19, other countries were starting to experience outbreaks. With this, the thoughts and focus of our Chinese studios soon turned towards our colleagues in sister studios and how to share their experiences. A purchasing team for overseas studios was set up to help ship PPE to Keywords locations around the world and despite the many unknown challenges, our studios in Ireland, Canada, UK, Japan, Philippines, Poland, US and Italy received successful deliveries.

Our people, our culture continued

COVID-19

Keywordians in China created an emergency response team to source face masks, hand sanitiser, disinfectant and other PPE items. When the local demand was met, in learning that PPE became increasingly difficult to obtain worldwide, the team helped to ship PPE to sister studios as far as Europe and the Americas, to keep our employees safe (more detail in our case study on page 33).

A favourite perk often cited by Keywordians in Montreal is the daily delivery of fresh fruit. In the quick shift to working from home, many corporations began cancelling orders, putting these businesses at risk. Instead of adding to food waste and the vendors' predicament, our Montreal team re-routed CAD$4,000 of fresh fruit to essential workers at a nearby hospital.

With an increased demand on resources of non-profits and charities, there has been more emphasis on sanitary measures than ever. To help stop the spread of COVID-19 in Montreal, our studio partnered with two local manufacturers; one to create sanitiser dispensers, and another to supply the sanitiser. We proudly donated two industrial dispensers and a total of 30 gallons of hand sanitiser to local chapters of non-profits L'Itinéraire and Doctors of the World, to help them support community members in need.

Natural disaster relief

When our teams in Manila learned of the homes destroyed by the eruption of the Taal volcano in February 2020, they knew they needed to lend a hand. Employees donated face masks, blankets, food, toiletries, bottled water, medication and more. They rallied together again following Typhoon Ulysses, later in the year. Employees travelled from Manila to deliver the much needed items, where evacuees welcomed them with gratitude and open arms.

Staying connected

Keywords introduced a series of gratitude e-cards allowing Keywordians to send personalised thank you e-cards to other Keywordians for their help and continued support. Since launch, over 2,500 e-cards have been sent globally, with kind thoughts keeping our people connected while apart.

As a social group, with the migration to working from home, team outings and seasonal events have unfortunately been put on hold in most locations. To keep connected, a number of our studios began hosting employee-exclusive webinars every week.

In Montreal, these webinars ranged from Monster Sounds and Prop Art in video games, to a Haitian cooking class and "Happiness in the time of COVID-19".

Community and charitable activities

Game professionals of the future can come from anywhere. In keeping with our annual tradition in Dublin, we welcomed the annual group of postgraduate students to attend a workshop on careers in Localization. In Madrid, we proudly volunteered at Prodis, and donated to Fundacion ALAPAR, promoting career training for Spanish youth, while our UK studio d3t participated in the Get in the Game university tour, offering students insight into Keywords and the games industry.

Descriptive Video Works donated their studio with staff also volunteering to support the Blind Beginnings Harvesting Hope Online Gala which included a song from some of the kids at Blind Beginnings that they wrote the lyrics and music for "I see differently".

Case study

8

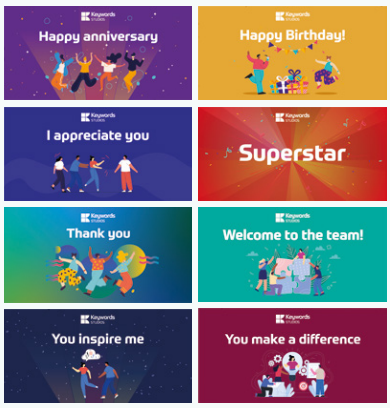
Flexibility

When India announced its COVID-19 lockdown in March 2020, our IT teams were faced with the overnight challenge of moving 700+ Keywordians into a work from home setup. Initially this challenge came with shipping our secure desktops to each employee safely while adhering to the highest data security and VPN standards. But once at home, our IT teams were faced with bandwidth and VPN issues that often required us to upgrade our employees' internet connection.

At the start of April, due to the increasing level of queries arising from remote working (IT, HR, finance, food and logistics), a helpline was set up. This helpline team ensured that employees need not worry with all requests, including food delivery, fulfilled with utmost priority.

All through COVID-19, our IT and helpdesk teams across the Group have delivered day in, day out, allowing Keywordians to perform to the best of their abilities while providing world class IT infrastructure despite a challenging environment.

Examples of the Keywords e-cards below



Leaving the comfort of their desks for work in a warehouse, 13 Keywords employees from our Montreal studio spent a day volunteering at Moisson Montreal, an organisation which supplies food to low-income individuals around the city. The day brought the team closer, helped reduce food waste, and fed community members who may have otherwise gone hungry.

Pictionary, quizzes, bingo, auctions and more, our Electric Square studio is a close-knit and generous group. Through a dozen fundraising initiatives in 2020, this studio raised and donated £6,000 in support of frontline workers, hospital staff and patients, youth experiencing homelessness, and food banks.

In Tokyo, Keywordians held fundraisers and sponsored a team in the Virtual Run for the Cure/Walk for Life marathon for breast cancer research, while in Italy we donated to scientific research for paediatric cancers.

In Mexico, in addition to cash donations, employees wrote holiday greetings to children in the Salvation Army orphanage.

Gaming for good

Following the Australian wildfires, animal lovers in our player support teams in Seattle hosted a fundraising activity. They spent 16 hours streaming games, and taking on hot-sauce related challenges, proudly raising US$2,500 for the Koala Hospital.

In Singapore, we sponsored employee participation in a gaming tournament with proceeds going to the Singapore Children's Society.

Surpassing their goal of sponsoring one gaming console, through a series of events including a pool tournament, bake sale and raffle, Electric Square raised enough for a gaming console for a hospital in Brighton as well as Worthing.

The team at d3t raised funds for the Sports Relief initiative, with a series of apt and engaging activities including table tennis.

Our studio in Manila hosted a League of Legends tournament. The winning team got a cash prize plus a donation to their nominated hospital, the San Juan hospital, along with supplies for their front line workers.

The biggest gaming tournament of the year, Extra Life featured 80 Keywords gamers from around the world, who streamed over 250 hours of gameplay, raising a whopping US$7,000 for the Children's Miracle Network of hospitals.

Although we work with the biggest names in video games, we support independent US developers in offering their games to staff in monthly staff giveaways. Proceeds from these titles support a new charity every month, including World Reader, Girls INC, Gamehead, World Wildlife and more.

Case study

9

Learning & Growing

Keywords ACADEMY CANADA

Providing growth opportunities for Keywordians is always important but due to COVID-19, traditional in-person approaches became more challenging. In Canada, our Learning and Development team rose to this challenge, pivoting towards offering virtual training and adapting existing content for eLearning. They truly embraced one of Keywords Rule of 9 principles, Learning & Growing, by subsequently launching a learning platform where employees all over Canada can access various learning opportunities:

- Interactive eLessons developed by our talented contributors.
- Live training workshops with our experienced facilitators.
- Various resources for professional and personal growth.
- Personal eLearning content.

Building on this learning platform, our team is now collaborating with studios across Canada to provide relevant growth opportunities for all employees in the region.

Responsible Business report

> Keywords conducts its business to the highest standards of honesty, integrity and ethical conduct.

Top five UN Sustainable Development Goals (SDGs) thought most relevant to Keywords by employees

Goal 5:
Gender Equality

67%

Goal 3:
Good Health & Well-being

61%

Goal 8:
Decent Work & Economic Growth

59%

Goal 9:
Industry, Innovation & Infrastructure

45%

Goal 10:
Reduced Inequalities

45%

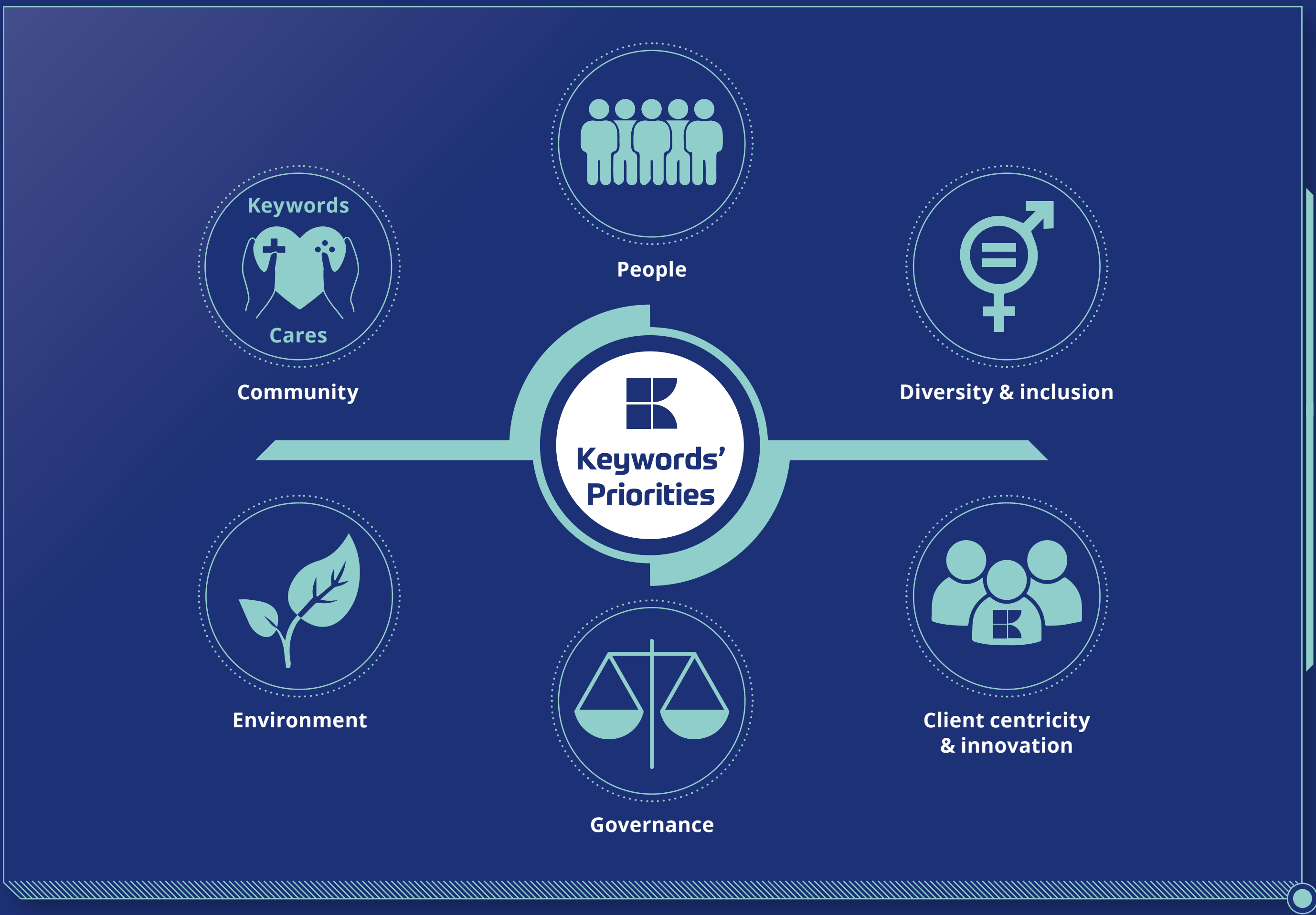
Progress in 2020

We at Keywords have always been committed to conducting our business responsibly, operating to the highest standards of honesty, integrity and ethical conduct. We take our wider corporate responsibility seriously, and are conscious of the role our business plays in our communities and in the impact our business has on the environment. We are very proud of the thousands of Keywordians, across 22 countries of operations, for upholding the highest standards and behaving in accordance with our "Keywords Rule of 9" as we engage and grow with our work colleagues, our customers and our communities.

As more investor attention falls on this critical aspect of business, so we at Keywords are working to bring to the fore the existing behaviours and characteristics of our business that already make us a great place to work, a business that cares for its people, its communities and the environment and a business that recognises there is much more we could and should be doing.

At the start of the year, as a first step, we worked with an independent third party to carry out a materiality assessment with our senior team and the Board. The process included a materiality workshop, as part of our strategy week, providing the Board and senior executives with the opportunity to identify and debate matters of material importance to them based on potential impacts to the business and its stakeholders. Some of the issues commonly identified included customer centricity, successful integration of acquisitions, cyber security and data, culture, service delivery, diversity, employee engagement and the environment, given its importance to our people and other stakeholders. This was supplemented by a responsible business employee survey, where we sampled a representative group of Keywordians to get their views and understand what is important to them. We also asked our employees to rank what top five UN Sustainable Development Goals (SDGs) they thought are most relevant to Keywords, with the results highlighted on the left.

Our six responsible business priorities



This process identified our six responsible business priorities of People, Diversity & Inclusion, Customer Centricity & Innovation, Communities and the Environment underpinned by Corporate Governance and Business Ethics. We also mapped our priority areas to the UN SDGs as set out in each of the priority areas.

We have identified a number of performance metrics in each of our priority areas to measure our progress and we believe by fully embedding these into our business strategy we can build a more robust and sustainable business for all our stakeholders (shareholders, employees, customers, suppliers and community participants).

During 2020 we made good progress on our priority areas:

- Our Code of Conduct was refreshed and relaunched and is now available on our website in 12 languages.
- We have established a Global Diversity & Inclusivity Council and introduced unconscious bias training for individuals in hiring roles and we are taking steps to automatically redact job applications to further ensure unbiased assessment of these.
- The Keywords Cares matching programme was launched in which Keywords will match funds raised for good causes by our teams around the world.
- We put in place a US$500,000 hardship fund to support colleagues experiencing financial hardship issues as a result of the COVID-19 pandemic.
- For the first time we have quantified our greenhouse gas emissions focusing on scope 1 and 2 emissions.

To monitor our progress going forward we have established a Responsible Business Board Committee, comprising of Georges Fornay (NED and Chair), Giorgio Guastalla (NED), Jon Hauck (Chief Financial Officer) and Sonia Sedler (Chief Operating Officer). The committee will meet quarterly and provide regular updates to the Board on progress. We are also in the process of establishing regional committees to ensure that initiatives are rolled out and fully embedded throughout our local studios. The committee recognises there is more work to be done, but we have established a solid base and look forward to reporting on the progress in each of our priority areas.

Responsible Business report continued

People

People are our largest and most valuable asset. We value them; we trust them and we work with them to support their passion to provide the best service for each project and customer. The key areas of focus are: health & safety, employee engagement, and training and development.

Health & Safety

Since the start of the COVID-19 outbreak, our priority has been the health, safety and wellbeing of all Keywordians and their families, reinforcing our ongoing commitment to providing a safe and healthy workplace for all of our employees. In addition to our China based studios sourcing and shipping personal protective equipment and sanitiser to their sister studios and their employees throughout the Group, we have worked hard and have fully complied with all enhanced national legislation on Health & Safety requirements, while providing information, education and training to those returning to an office environment. In our annual employee engagement survey, we took the opportunity to seek feedback on the business's response to COVID-19. We are pleased that 96% confirmed that their studios responded appropriately to the COVID-19 pandemic.

COVID-19 has also brought new pressures around working from home, resulting in the potential for an increase in mental health issues. In response to mental health and overall wellness, we increased the awareness of Employee Assistance Programmes at our larger locations and other locations have arranged programmes locally. Examples of some of these included guest speakers on mental health, virtual yoga and dance lessons, Friday evening online events, and team quiz nights. We are particularly proud of how Keywordians around the world have responded to these short-term challenges to keep everybody safe while making extra efforts to staying connected with each other (more detail set out on pages 32 to 35).

We welcome employee input into all programmes and openly share initiatives across the organisation as we seek to meet the changing needs of our people. As an example, to provide some additional support in instances where some of our colleagues were particularly financially impacted as a result of COVID-19, we established our own US$500,000 hardship fund in the earlier months of the pandemic to support those experiencing more acute financial issues. This fund remains active and accessible by all.

UN SDGs

3 GOOD HEALTH AND WELL-BEING — Ensure healthy lives and promote well-being for all at all ages

4 QUALITY EDUCATION — Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

8 DECENT WORK AND ECONOMIC GROWTH — Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Employee engagement

Our annual employee engagement survey took place in October 2020 with 5,941 of our colleagues responding, representing a 68% response rate (2019: 54%). In response to the survey feedback in 2019, some of the actions we took included introducing our Keywords Cares programme to support staff in helping their communities, continued with programmes of training and mobility to support development and growth, and updated our employee recognition programmes.

The 2020 survey continued with strong themes of teamwork and accomplishment with 94% responding that they were proud to be a member of their team, 91% feeling personally motivated to contribute to the success of their project/team, and 90% having clearly defined goals and objectives in their role. Areas for improvement for 2021 relate to communications and better feedback from managers to their teams; more opportunities for career development and growth (similar to 2019); and easier access to information and policies. We have set up focus groups for 2021 to examine the results of the survey and to propose initiatives to further improve overall employee engagement.

We also sought feedback on working from home arrangements with 43% of people expressing a preference for continuing to work from home, 10% preferring to return to office based working and 47% preferring a combination of working from the office and working from home.

Continue to work from home	43%
Return to office based working	10%
Combination of home and office working	47%

There is clearly a role for physical studios for the Group, particularly to allow for the exchange of creative ideas, for training, and where the added security environment and highly specialised set-ups of our testing and audio studios are so important. Post COVID-19, we see the future as a hybrid of creating vibrant, engaging and safe studio space whilst also enabling people to work securely and productively from home where this can be facilitated.

Training and development

We value our people; we trust them and work to support their passion to provide the best service for each project and each customer. However, there is always more that can be done to invest in our people and we continue to focus on making improvements with training and development, benefit schemes and career planning. Across Keywords, we provide training and development programmes, appropriate to the service line and the professional disciplines involved therein. As examples of this, in 2020, with so many staff working from home due to the COVID-19 pandemic, our Montreal team developed an online learning hub, Keywords Academy Canada, to provide access to learning material, book courses and view monthly topics of interest. We also increased our licences with LinkedIn Learning to provide employees around the world with access to hundreds of courses online.

68%

Employee engagement survey response rate

(2019: 54%)

Diversity & Inclusion

Human talent is our most valuable asset and as a multicultural business, we thrive on diversity, celebrate uniqueness and collaborate as a team whether we are physically together in one of our 65+ studios around the world or working together virtually. We continually challenge ourselves to ensure that we provide a working environment that treats people with dignity and respect, is free from discrimination and promotes fairness and equal opportunities.

UN SDGs

5 GENDER EQUALITY — Achieve gender equality and empower all women and girls

10 REDUCED INEQUALITIES — Reduce inequality within and among countries

We recognise that we can do more to drive the Diversity & Inclusion agenda, and to that end, in 2020 we created a Global Diversity & Inclusivity Council. We have also introduced unconscious bias training for individuals in hiring roles and are taking steps to redact job applications to further ensure unbiased assessment of potential candidates at the start of the recruitment process. This technology is not currently available and so the HR team is working with their colleagues in the test automation team to develop a tool to support this process.

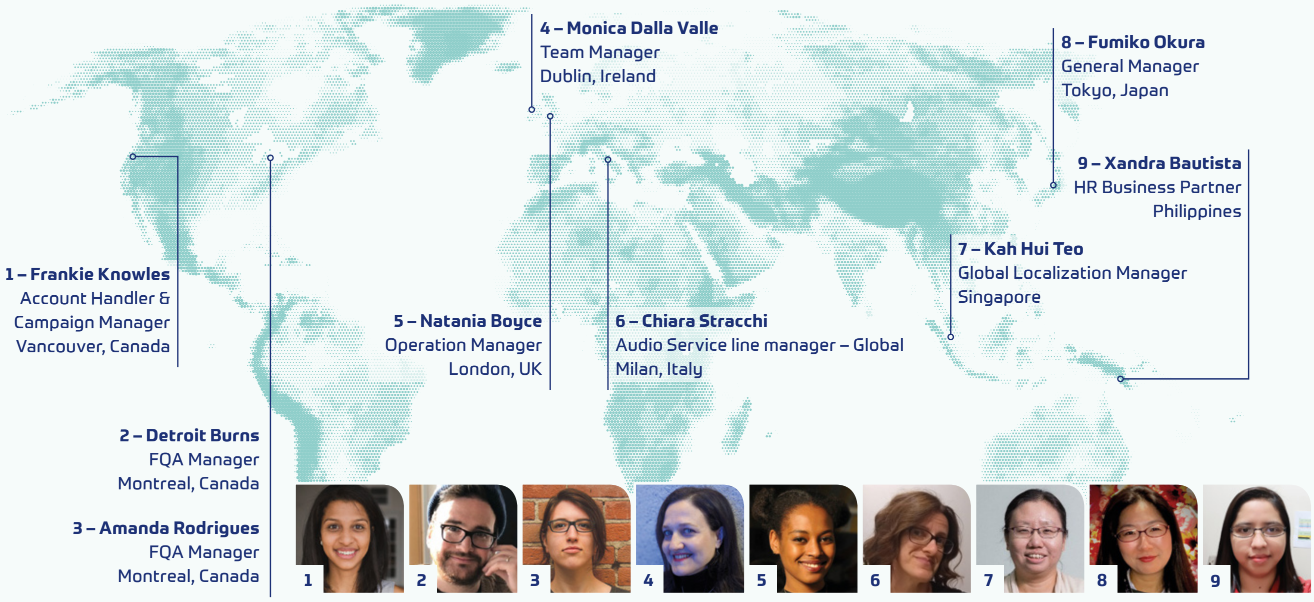
In 2020 the Group was composed of 26% women and 74% men (2019: 25%/75%). We recognise that the video games industry traditionally attracts more male than female employees and this demographic is mainly due to the higher proportion of males in some parts of our business. Our support functions have a more equal split of women and men (45% and 55%, respectively). A key continued focus going forward will be to look at opportunities to highlight Keywords as an attractive career choice for women. With the recent appointment of Sonia Sedler to the Board as Chief Operating Officer, 33% of Board executives are now female, while the Keywords' overall Board of Directors includes eight Directors, two being women (25%).

Female	25% (2 Board members)
Male	75% (6 Board members)

Female	26%
Male	74%

Global Diversity & Inclusivity Council

Mission: The Global Diversity & Inclusivity Council's mission is to evolve Keywords' approach to diversity and inclusion on a global, regional, and local level in order to have a measurable positive impact on people's everyday lives. We recognise there is no one-size-fits-all solution but by actively listening to our people and having open, frank conversations we can learn from one another and build actionable objectives for our various Keywordian teams to implement. We aim to show our progress as we continue to foster an inclusive culture where all of our employees have the sense of belonging and the opportunity to realise their full potential.



Client centricity & innovation

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

We are fortunate to be able to include the majority of the top global games publishers and developers as our clients. These companies expect the highest levels of service and confidentiality. At the heart of our culture is our commitment to quality, reliability and integrating with our customers' processes which when combined, promotes long-term, sustainable relationships. Continuing to create and maintain the right culture is core to Keywords' future sustainability and is embedded in our operating principles, the "Keywords Rule of 9". We encourage all Keywordians to embrace these principles, as we will always do the very best we can for our customers and those with whom we interact.

Our top five customers account for 29.1% (2019: 28.1%) of the Company's revenues with 120 customers using three or more service lines, up 11% from 2019. From the start of 2019, we have started to seek feedback from our customers through a customer net promoter score (NPS) survey with an overall customer net promoter score (NPS) of 48 in H1 2020 (a score of between 30-70 is considered "great" by Retently).

UN SDGs

8 DECENT WORK AND ECONOMIC GROWTH

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

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Information technology

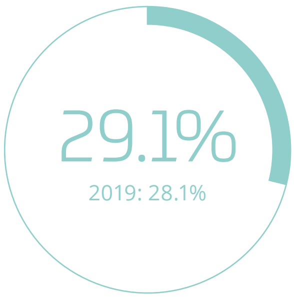
As a global business providing services for the video gaming and media industries, Keywords relies heavily on technology. It is critical that this technology environment can continue to operate effectively, efficiently and securely. To ensure this is the case, Keywords has a dedicated Information Security & Privacy team and follows a comprehensive global Information Security & Privacy framework with policies, guidelines and procedures, covering industry best practices that all systems and colleagues must adhere to.

This framework incorporates compliance checks to ensure that our studios meet the Keywords standard security requirements. Supplementary penetration tests are also executed as required, in addition to external compliance assessments and audits performed by our third party customers on an ongoing basis. The activities include:

- Managing the Security & Privacy framework
- Monitoring of Keywords Studios' information systems and infrastructure
- Security & Privacy incident management
- Raising employee awareness
- Client Security & Privacy assessments
- Testing of internal privacy and security controls

Several studios hold and maintain, or are in the process of acquiring, information security and privacy related certifications, including, but not limited to: Trusted Partner Network (TPN), Supplier Security and Privacy Assurance (SSPA), Payment Card Industry Data Security Standard (PCI-DSS), International Organization for Standardization standard number 27001 on Information Security (ISO 27001), System and Organization Controls 2 (SOC 2), Netflix Post Partner Program (NP3).

Each service line is constantly developing and using technology to improve client service and drive internal productivity. An example of this is in Localization, where we plan to build an increasingly differentiated offering. This combines the market leading expertise we have built up in localization over the past 20 years, with proprietary software tools, such as XLoc, and recently acquired Artificial Intelligence (AI) and Machine Learning (ML) technology from Kantan, which enables us to manage a greater volume of digital content for our clients. We are also developing the Kantan technology to provide more efficient multi-language capabilities in our Player Support business.



Our top five customers account for 29.1% (2019: 28.1%) of the Group's revenues with 120 customers using three or more service lines, up 11% from 2019.

Environment

We are committed to minimising our impact on the environment and recognise the importance of meeting globally recognised corporate responsibility standards. As a responsible employer, we are responding to the demands of our people to build a sustainable business model, mainly through the impacts of our studio configurations and business travel activities.

We accept that in a global organisation our people will need to travel. However, in 2020, as a result of the COVID-19 pandemic our business travel was greatly reduced. We increased our usage of collaborative tools such as video conferencing and will endeavour to retain these practices to a greater degree post the pandemic. When we do return to travelling, we will continue our existing policy for everybody to fly economy and encourage the use of public transport where practical.

Sustainable studios

Sustainability is a core focus for Keywords, as it is for all of our studios across all our territories. Local studios are encouraged to minimise their energy usage, and reduce and recycle waste. Local initiatives in 2020 included:

- Following on from Electric Square's Carbon Balance certification, the studio has now ventured into their local community, cleaning up the nearby public beach in Brighton.
- Meanwhile, Studio Gobo swapped disposable soap dispensers for the five litre reusable kind.
- Keywords Seattle had construction material to dispose of, and rather than sending it to a landfill, they managed to have it all recycled.
- Montreal will no longer use disposable utensils in the cafeteria. Instead, their Green Committee implemented a change where everyone in the studio received reusable Keywords travel mugs, and a set of reusable cutlery, complete with chopsticks.

UN SDG

13 CLIMATE ACTION

Take urgent action to combat climate change and its impacts

Energy and carbon reporting

To develop this area further, in 2020 Keywords commenced its first formal review of the Group's global energy usage, resulting in the identification, assessment and measurement of our energy and greenhouse gas emissions.

We have used the GHG Protocol Corporate Accounting and Reporting standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2020 and International Energy Agency (IEA) conversion factors for non-UK electricity to calculate the below disclosures. The standard requires a statement of relevant intensity ratios, which are an expression of the quantity of emissions in relation to a quantifiable factor of the business activity. Keywords has identified its intensity ratio, as set out below. These figures were calculated from data available to the Group and extrapolated to take account of smaller or mixed tenant locations.

GHG emissions data for the period 1 October 2019 to 30 September 2020

Tonnes of CO_2e	UK	Global
Combustion of fuels and operation of facility (Scope 1)	0.4	271
Emissions from purchase of electricity, heat, steam, and cooling purchased for own use (Scope 2)*	175	4,015
Total emissions under Scope 1 and 2	175	4,286
Energy consumption used to calculate emissions – kWh (million)	692	11,527

* Includes emissions only from the use of electricity.

In 2020, UK emissions accounted for 175 tonnes of CO_2e, representing 4% of global emissions and the UK energy represented 6% of our global energy consumption.

Intensity ratio (tonnes of CO_2e per unit)

Ratio of carbon emissions to employees	0.52
Ratio of carbon emissions to revenue (€m)	11.8

Many of our studios were less occupied during 2020 and therefore this may not be an accurate baseline to measure our carbon emissions. Nonetheless, in 2021, we are establishing work streams focused on driving our environmental commitment forwards, by identifying practical changes that we can implement and set measurable business targets against. This will start with a Group-wide environmental policy, covering both our energy and recycling practices. This policy will support our studios in their efforts to minimise energy and natural resource usage, to reduce, reuse and recycle, and to ensure the legal disposal of waste – helping us deliver our long-term ambition to reach net zero carbon emissions ahead of the UK Government's target of 2050.

We are also monitoring the development of the Task Force on Climate-related Disclosures (TFCD) framework, with a view to incorporating this into our reporting framework over time.

Responsible Business report continued

Community

€46,000

Raised by employees for charity

(2019: €29,000)

Here at Keywords, we encourage community involvement and supporting good causes throughout our local studios. In order to do more to support good causes across the communities that we are a part of, under the Keywords Cares initiative we have set aside an annual central fund of €100,000. This can be applied to match funds raised for community outreach and charitable initiatives by our local teams around the world. In this way, we hope to encourage even more support for our local communities.

In 2020, we were delighted again to see so many Keywordians giving their time and energy in support of the numerous initiatives that so many of us feel strongly about, whether it's local charities, not-for-profit programmes, educational initiatives or community outreach programmes. Some of the many proud examples of our community efforts in 2020 are set out in more detail on pages 33 to 35.

Supporting communities

- Keywordians volunteered significant hours in an effort to help our neighbours
- Uniting and inspiring, making communities stronger
- Ensuring player safety and wellbeing, our Player Support Agents and Community Managers have reported hundreds of online threats
- Raised funds for various community needs

Celebrating cultures

- 70+ international holidays observed, including National Day, Diwali, International Women's Day, Chinese New Year, Revolution Day, Independence Day, Day of National Unity and many more
- Honouring the backgrounds of our teams located across 22 countries and four continents
- 65+ studios supporting diversity and inclusion

UN SDGs

3 GOOD HEALTH AND WELL-BEING	Ensure healthy lives and promote well-being for all at all ages
5 GENDER EQUALITY	Achieve gender equality and empower all women and girls
10 REDUCED INEQUALITIES	Reduce inequality within and among countries
13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts

6

studios supported diversity and inclusion programmes, to improve the quality of life for marginalised communities

8

studios supported local schools and education needs

6

studios supported green initiatives in their studios and communities

7

studios supported emergency relief measures, related to natural disasters and COVID-19

Corporate governance and business ethics

Our business strategy is aligned to our Responsible Business priorities and the expectations of our key stakeholders, as outlined in our Code of Business Conduct (the "Code").

This Code provides the basic foundations which guide our ethical conduct at Keywords setting the highest standards of behaviour and respecting the dignity of others. We are committed to conducting our business responsibly and operating to the highest standards of honesty, integrity and ethical conduct. We recognise the value of good corporate governance in every part of the business and have adopted the Quoted Companies Alliance (QCA) Corporate Governance Code, which is appropriate for the size and maturity of our business.

Ethics: The Group is committed to the highest levels of integrity, accountability and the prevention of bribery and corruption. In 2020, we refreshed our Code of Business Conduct, and published it on the Company website in 12 languages. We also engage with an external compliance software vendor to help with the ongoing training and awareness of our anti-bribery and corruption policy, in addition to other policies and eLearning activities. In 2018, we adopted a whistleblowing policy that has been rolled out globally. This policy allows all colleagues, wherever they are, to raise any concerns about possible financial or other irregularities confidentially. During 2020, no whistleblowing disclosures were reported, following three in 2019 which were all investigated and satisfactorily resolved.

UN SDGs

8 DECENT WORK AND ECONOMIC GROWTH — Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE — Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Human rights: At Keywords, we do not tolerate any form of modern slavery or human trafficking in any part of our business. In 2017, the Board adopted a Modern Slavery Policy and our annual Modern Slavery Statement is published on the Company website. We operate to international standards and principles including the International Bill of Human Rights, the UN's Guiding Principles on Business and Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the Children's Rights and Business Principles. The Group continues to make all reasonable endeavours to ensure all employees and agents within our supply chains are not subject to any form of forced, compulsory/bonded labour or human trafficking through our Modern Slavery Policy and the accompanying Supplier Code of Conduct.

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

M&A: We are a highly acquisitive business and have strict criteria for our acquisition targets, by far the most important being cultural fit. Before acquiring an acquisition target we complete detailed due diligence and all acquisitions are approved by the Board prior to completion. We have a tried-and-tested integration process and detailed integration plans tailored to each company, with the involvement of those who will implement it. This is designed to ensure a seamless integration of the new studio and most importantly, our new colleagues, so that from day one, they feel like part of the Keywords family and adopt our Group policies.

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

- we comply with all applicable laws, disclosure requirements and regulations in the territories in which we do business;
- all tax positions adopted are adequately and fairly disclosed in tax filings;
- we have an open and transparent working relationship with the relevant tax authorities around the world;
- where disputes arise with tax authorities, we seek to reach a resolution as soon as possible in an open and constructive manner;
- where considered appropriate, the Group takes advice from professional firms;
- tax risks are appropriately managed in accordance with the tax policy; and
- our tax planning is aligned with the Group's commercial and business activities and the tax treatment of business transactions is optimised.

Non-financial information statement

Our non-financial information statement is set out below on environmental matters, social and employee matters, respect for human rights, and anti-corruption and anti-bribery. Details of our business model can be found on pages 20 and 21, and our principal risks are on pages 50 to 53. Our Modern Slavery Policy and Code of Business Conduct can be found on our website.

Reporting requirement	Policies and standards which govern our approach	Page reference
Environmental matters	Environmental statement	Page 41 Responsible Business
Social and employee matters	Code of Business Conduct Recruitment policy Employee handbook Diversity and equal opportunity Grievance policy Employee assistance programme Health & safety policy Data protection	Pages 22 and 23 Our strategy Pages 32 to 35 Our people, our culture Pages 36 to 45 Responsible Business
Respect for human rights	Supplier Code of Conduct Modern Slavery Policy	Page 43 Responsible Business
Anti-bribery and corruption	Anti-bribery and corruption policy Whistleblowing	Page 43 Responsible Business Page 60 Audit Committee
Business model		Pages 20 and 21 Business model
Description of principal risks and impact of business activity		Page 36 Responsible Business Pages 50 to 53 Principal risks and uncertainties
Non-financial key performance indicators		Pages 22 and 23 Our strategy Pages 36 to 45 Responsible Business

Section 172(1) statement

The Directors have acted in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, in line with Section 172 of the Companies Act 2006.

This section of the Strategic Report describes how the Directors continue to have regard for:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The Directors are fully aware of these duties and responsibilities, and have set out below how they are fulfilling those duties in respect of each of their key stakeholders. In line with our Responsible Business report (more detail on pages 36 to 45), the Board identifies the Group's key stakeholders as shareholders, employees, customers, suppliers and community participants, and it is committed to effective engagement with these stakeholders.

Shareholders

Our Annual General Meeting (AGM) is an important part of effective shareholder communication, with all shareholders having the opportunity to hear from the Company and ask questions. The Board welcomes the opportunity to engage with our shareholders, typically providing a brief update presentation at each AGM and with all Directors available to answer questions. In 2020, the Board was unfortunately unable to permit its shareholders to physically attend the AGM due to COVID-19 restrictions. As the Company's articles of association were amended at the 2020 AGM to enable "hybrid meetings" (with some attendees in a physical location and others attending by electronic means), at the 2021 AGM the Board intends to facilitate shareholder attendance via videoconference for as long as COVID-19 restrictions remain in place. The Company also intends to increase the audience of the Capital Markets Day by broadcasting these events to selected stakeholders in order to encourage greater engagement.

Throughout the year the CEO and CFO meet with shareholders, with the Board receiving regular updates from both the CEO and CFO on these engagements. Additionally, both the Senior Independent Director and the Chairman have met, and will continue to meet, with institutional shareholders to discuss updates on the Group including strategy, remuneration and other key issues that are vital to these stakeholders in the future. An example would be the emerging importance to some stakeholders of environmental, social, and governance (ESG) factors.

Employees

The Board receives regular updates in relation to employees, in addition to the results from the Group's global employee survey (further details on page 38). Additionally, the Group holds a series of annual strategy days and, as the Board is in attendance, it is able to get both formal and informal instant feedback from the Senior Management team. Due to COVID-19, the Board was unable to engage with the Group's employees in its normal manner but it hopes to resume these visits to key locations in the near future.

Customers

During the year, the Board receives updates from senior management on key customers via the business reviews. Prior to COVID-19, the CEO and selected members of the Board normally meet existing and potential clients at the key video games events (e.g. E3, GDC, XDS, Gamescom, Tokyo Games Show) to seek their input and gauge their current and future requirements. The CEO independently also regularly meets with the top echelon of key customers to strengthen relationships.

Suppliers

The Board recognises the important role that our suppliers play in helping us deliver our services, as this group comprises individual contractors in addition to a range of support service suppliers. In respect of our broader base of suppliers, the Board has developed a Supplier Code of Conduct, complemented by the adoption of a Modern Slavery Policy since 2017.

Community participants

The Board recognises the need to increase our community engagement and to support the communities that we are part of. With this in mind, Keywords has pledged up to €100,000 per year to match funds raised for community outreach and charitable initiatives so that we can continue to support our local communities (further details on pages 33 to 35).

Decision making

We set out below the Group's remuneration policy and Responsible Business interactions as examples of how the Directors have had regard to the matters set out in section 172(1)(a)-(f) when discharging their duties under section 172 and the effect of that on certain decisions taken by them.

Remuneration policy:

The Group's Remuneration Committee, on behalf of the Board, is responsible for the determination and implementation of the Directors' remuneration policy, applicable to Executive and Non-Executive Directors. During 2020, the Remuneration Committee reviewed the pay structure for the Executive Directors, with a particular focus on how the package compares with companies of similar scale and complexity to Keywords. Further details can be found in the Directors' remuneration report, pages 63 to 77.

The Remuneration Committee Chair and other members of the Remuneration Committee engaged with a number of our largest shareholders and relevant proxy agencies regarding these revisions, and took into account the feedback from these meetings in finalising the details of the changes. The Board believes this regular dialogue with our shareholders is critical to ensure our remuneration policy aligns with their expectations wherever possible, and we found this engagement meaningful and useful in achieving that aim.

Responsible Business:

Over the course of 2020, the Board recognised and discussed the increasing importance of ESG matters for a number of our stakeholders. As a first step, we worked with an independent third party to carry out a materiality assessment with our senior team and the Board. This assessment was supplemented by a Responsible Business employee survey to understand their views and what is important to them. Once complete, this process identified our six Responsible Business priorities of People, Diversity & Inclusion, Customer Centricity & Innovation, Communities and the Environment underpinned by Corporate Governance and Business Ethics. Further details on this process and priorities can be found in the Responsible Business report, pages 36 and 37.

In addition, in order for the Board to monitor progress in this important area, the Board has established a Responsible Business Committee comprising of Georges Fornay (NED and Chair), Giorgio Guastalla (NED), Jon Hauck (Chief Financial Officer) and Sonia Sedler (Chief Operating Officer). The Group is also in the process of establishing regional committees to ensure that initiatives are rolled out and fully embedded throughout our local studios.

Financial and operating review

Resilient performance in a period of significant disruption

Jon Hauck
Chief Financial Officer

Revenue

Revenue for 2020 increased by 14.4% to €373.5m (2019: €326.5m). This growth was supplemented by the full year impact of acquisitions in 2019 and the acquisitions made in 2020, but offset by the impact of currency movements, particularly the weakening of the US dollar in the second half of the year, and certain service lines having been held back by COVID-19 disruptions during the year.

Organic Revenue growth (which adjusts for the impact of currency movements and acquisitions) was up 11.7%. This was driven by a robust performance in most service lines, despite being held back in the first half of the year due to the studio closures, particularly in our Testing and Audio businesses, and short term client side disruption to content flowing into Localization. The business delivered a stronger performance in the second half of the year with Organic Revenue growth of 15.0% (H1: 8.0%) driven by continued strong demand for most of our services and with all businesses settling down into the new ways of working.

Gross margin

Gross margin in 2020 was €141.8m (2019: €120.2m) representing an increase of 17.9%. The gross profit margin improved by 1.2% pts to 38.0% (2019: 36.8%) despite the margin improvement having been held back by the revenue shortfalls from March onwards compared to pre-COVID-19 expectations, particularly in our Testing, Audio and Localization service lines.

Operating costs

Adjusted operating costs increased by 7.9% to €67.6m (2019: €62.6m), reflecting a larger Group, but reduced to 18.1% of revenue versus 19.2% in 2019. This was driven by operational leverage and good cost control, together with a reduction in certain costs due to COVID-19, such as travel and marketing costs.

Organic Revenue growth

+11.7%

Revenue (€m)

€373.5m

+14.4%

EBITDA

Adjusted EBITDA increased 28.8% to €74.2m compared with €57.6m for 2019 resulting in an improvement in Adjusted EBITDA margin of 2.3% pts to 19.9% (2019: 17.6%). As noted above, the margin partly benefitted from a reduction in certain costs during COVID-19, albeit it was held back by the revenue shortfalls from March onwards versus previously anticipated levels.

Net finance costs

Net finance costs increased by €4.4m to €8.6m (2019: €4.2m) largely driven by a €4.4m increase in the net foreign exchange loss which is described in more detail below. Underlying interest costs on bank debt (excluding IFRS 16 interest, deferred consideration discount unwind, bank charges and foreign exchange) increased by €0.1m to €1.0m (2019 €0.9m). This reflected the repayment of drawings on the RCF following the successful €110m placing in May, since when we have maintained a strong net cash position despite the Group's acquisition spend.

Alternative performance measures (APMs)

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

	2020 €m	2019 €m
Share option expense	15.4	9.8
Acquisition and integration costs	2.6	4.3
Amortisation and impairment of intangible assets	8.8	7.3
COVID-19 government subsidies claimed	(9.2)	–
Investment income	(1.4)	–
Foreign exchange and other items	6.3	2.1
	22.5	**23.5**

2.3m of options were granted under the Share Option Scheme and Long Term Incentive Plan in H1 2020. This, together with grants from previous years, has resulted in a non-cash share option expense of €15.4m in 2020 (2019: €9.8m). The increase is largely due to an increase in the fair value charge for the more recent grants compared to previous years reflecting the increase in the share price.

One-off costs associated with the acquisition and integration of businesses amounted to €2.6m (2019: €4.3m).

The amortisation and impairment charge of €8.8m (2019: €7.3m) includes a €2.1m non-cash charge relating to an impairment of intangible assets in certain pre-revenue businesses. These businesses have potentially exciting prospects but their speed to market has been hampered by COVID-19.

During the year the Group benefitted from €9.2m of COVID-19 related government subsidies, largely in the Americas aimed at supporting employment during the COVID-19 crisis. In addition, the Group made a €1.4m gain on the disposal of an investment in Hutch Games that was acquired with the acquisition of Liquid Development in 2015. Due to the one off nature of both items the income was excluded in arriving at the adjusted profit measures in order to assist with the understanding of the underlying trading performance.

Foreign exchange and other items amounted to a net charge of €6.3m (2019: €2.1m). Keywords does not hedge foreign currency exposures. The effect on the Group's results of movements in exchange rates and the foreign exchange gains and losses incurred during the year mainly relate to the effect of translating net current assets held in foreign currencies. This resulted in a net foreign exchange loss of €6.1m, recorded within financing cost (2019: €1.7m loss).

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

Profit before taxation

Profit before tax increased by €15.1m (+87.1% year on year) to €32.5m (2019: €17.4m). Adjusted Profit Before Tax, which adjusts for the items described in the APMs section above increased by €14.1m (+34.5% year on year) to €55.0m compared with €40.9m in 2019. This represents an improvement in Adjusted Profit Before Tax margin of 2.2% pts to 14.7% (2019: 12.5%) and is in line with our historical margin delivery of between 14–15%.

Financial and operating review continued

Taxation

The tax charge increased by €3.5m to €11.0m (2019: €7.5m) largely reflecting the increase in the profit before tax of the business. After adjusting for the items noted in the APMs section above and the tax impact arising on the bridging items, the Adjusted Effective Tax Rate for 2020 was 21.5% (H1 2020: 21.5%) compared with the rate of 22.4% in 2019. This improvement was partly driven by the non-repeat of a legacy pre-acquisition tax charge of €0.5m incurred in the prior year.

Earnings per share

Basic earnings per share increased by 99.1% to 30.32c (2019: 15.23c) reflecting the increase in the statutory profit after tax of 116.6%, partially offset by an 8.8% increase in the weighted average number of shares following the 10.5% equity placing in May of 2020. Fully diluted earnings per share, reflecting the impact of unvested share options, increased by 94.9% to 28.71c (2019: 14.73c).

Adjusted earnings per share, which adjusts for the items noted in the APMs section and the tax impact arising on the bridging items above, was 60.93c representing an increase of 24.9% (2019: 48.78c).

Cash flow and net debt

Cash flow statement	2020 €m	2019 €m	Change €m
Adjusted EBITDA	**74.2**	**57.6**	**16.6**
MMTC and VGTR	0.6	(5.9)	6.5
Working capital and other items	(2.2)	(1.7)	(0.5)
Capex – property, plant and equipment (PPE)	(13.9)	(13.1)	(0.8)
Capex – intangible assets	(0.3)	(0.4)	0.1
Payments of principal on lease liabilities	(8.2)	(7.4)	(0.8)
COVID-19 employment support subsidies	9.2	–	9.2
Operating cash flows	**59.4**	**29.1**	**30.3**
Net interest paid	(1.6)	(2.1)	0.5
Free cash flow before tax	**57.8**	**27.0**	30.8
Tax	(4.5)	(13.3)	8.8
Free cash flow	**53.3**	**13.7**	**39.6**
M&A – acquisition spend	(39.9)	(27.8)	(12.1)
M&A – acquisition and integration costs	(2.3)	(3.8)	1.5
Investment income	1.4	–	1.4
Dividends paid	–	(1.2)	1.2
Shares issued for cash	111.7	0.8	110.9
Underlying increase/(decrease) in net cash/(debt)	**124.2**	**(18.3)**	**142.5**
FX and other items	(3.4)	0.8	(4.2)
Increase in net cash/(debt)	**120.8**	**(17.5)**	**138.3**
Opening net cash/(debt)	(17.9)	(0.4)	
Closing net cash/(debt)	**102.9**	**(17.9)**	

The Group generated Adjusted EBITDA of €74.2m in 2020, an increase of €16.6m from €57.6m in 2019. There was a €0.6m inflow in respect of the amounts due for Multi-Media Tax Credits (MMTC) that are earned in the year of production, and are collected a year in arrears, and Video Games Tax Relief (VGTR). This includes ~€2.5m of accelerated receipts as a result of COVID-19 that would otherwise have been received in 2021. Other working capital outflows of €2.2m were broadly in line with the prior year with trade receivable days improving by 2 days to 42 days (2019: 44 days).

Investment in property, plant and equipment amounted to €13.9m (2019: €13.1m) reflecting a 22.3% increase in the level of equipment expenditure driven by the increased revenues of the business and the working from home arrangements that required some additional investment in equipment, partially offset by a reduction in the level of expansionary capex relative to the prior year. Property lease payments of principal of €8.2m were 10.8% higher than the prior year (2019: €7.4m) reflecting the increased size of the business.

COVID-19 government employment retention subsidies amounted to €9.2m, resulting in operating cash flows of €59.4m (2019: €29.1m), an increase of €30.3m on 2019.

Interest payments were €1.6m, a decrease of €0.5m on 2019 as a result of the repayment of drawings on the RCF following the placing in May. Tax payments amounted to €4.5m (2019: €13.3m), a reduction of €8.8m on 2019. 2019 included tax payments of approximately €5m relating to previous years and the Group has benefitted from other timing differences resulting in less payments in the year in respect of the 2020 tax payable.

This resulted in Free Cash Flow of €53.3m (2019: €13.7m), an increase of €39.6m on 2019. Adjusted Free Cash Flow, which adjusts for capital expenditure that is supporting growth in future periods and the COVID-19 government employment retention subsidies, was €53.4m in 2020, an increase of €20.6m (+62.8%) on the levels delivered in 2019. This resulted in an Adjusted Cash Conversion rate of 97.2% (2019: 80.2%) albeit as noted above, 2020 benefitted from some timing differences as a result of COVID-19.

Cash spent on acquisitions totalled €42.2m of which €39.9m was in respect of the cash component of both current and prior year acquisitions and €2.3m was in relation to acquisition and integration costs. In addition the Group received €1.4m from the disposal of an investment in Hutch Games that was brought into the Group via an acquisition in 2015, as noted earlier. These items, together with the strong Free Cash Flow generation and the €110m received from the successful equity placing in May and foreign exchange movements of €3.4m, resulted in an increase in cash of €120.8m in 2020 (2019: increase in net debt: €17.5m) and resulted in closing net cash of €102.9m (2019: net debt €17.9m).

Balance sheet and liquidity

The Group funds itself primarily through cash generation and a syndicated revolving credit facility (RCF) of €100m, with an accordion option to increase this up to €140m. The RCF matures in October 2022 with an option to extend it for up to a further two years.

The majority of Group borrowings are subject to two financial covenants that are calculated in accordance with the facility agreement:

- Leverage: Maximum Total Net Borrowings to Adjusted EBITDA ratio of 3 times; and
- Interest cover: Minimum Adjusted Operating Profit to Net Finance Costs ratio of 4 times.

The Group entered the year with a strong balance sheet, with net debt (excluding IFRS 16 leases) of €17.9m as at 31 December 2019 representing a net debt to Adjusted EBITDA ratio of 0.3x. In May, the Group placed 6,900,000 new ordinary shares representing c.10.5% of the Group's issued share capital, generating net proceeds of approximately €110m. The placing has allowed the Group to continue to pursue its value accretive acquisition strategy whilst maintaining a strong balance sheet.

The funds were used to repay drawings under the RCF and to support the value accretive M&A programme, with €40m of cash deployed in the year. At the end of 2020, the Group had net cash of €102.9m and undrawn committed facilities of €100m.

Dividend

The Group has delivered a robust performance in the year and has demonstrated the resilience of the Group's business model, the benefit of its diversified services platform, and the continued strong demand for its services. Our service lines have performed well given the operational and market disruption caused by COVID-19, delivering revenue and profit growth along with continued cash generation. The Board intends to resume its progressive dividend policy in 2021.

Guidance for 2021

We have made a good start to the year with the Organic Revenue growth momentum in the second half of 2020 flowing into 2021, offset by the full year impact of the weakening of the US dollar in the second half of 2020 assuming rates remain at their current levels. In addition, 2021 revenue will benefit from the additional contribution from the Tantalus acquisition announced in March.

Adjusted Profit Before Tax margins are expected to be maintained following the improvements in 2020 and within the 14–15% historical range and the Adjusted Effective Tax rate is expected to be in line with the 2020 rate of ~21%.

We are anticipating capex at a higher level to 2020 relative to revenue reflecting some expansionary capex and investment in equipment to support the new console cycle, and an overall Adjusted Cash Conversion rate of ~80% representing a slight reduction on 2020 and reflecting the unwinding of some of the phasing benefits in 2020 as a result of COVID-19.

With the exception of the incremental impact of the Tantalus acquisition announced recently, all of the above items are reflected in the current revenue and profit market consensus for 2021.

Jon Hauck
Chief Financial Officer

Principal risks and uncertainties

Getting with the program

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

We operate a top-down and bottom-up approach to risk management, where current and emerging risks are identified and assessed as part of our Strategy and Budget process, and the results are reviewed in detail at Board and Audit Committee on an ongoing basis throughout the year.

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

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

Group and strategy risks

Risk	Description and Impact	Mitigation	Trend
Unsuitable acquisition and/or failure of integration process **Link to Strategy** **Likelihood**	Keywords has an active acquisition agenda to support its strategy of becoming the "go to" global provider of services to the video games industry. Selecting the right acquisitions, managing them successfully and embedding the Keywords culture is a crucial ingredient of success. Failure to do so could result in the business not achieving the expected financial and operational benefits and adversely impact growth, profitability and cash flow.	Since IPO, the Company has involved a broader number of senior managers in the acquisition and integration process, building on the considerable experience that exists at Board and senior management level, thus providing further bandwidth to identify, execute and integrate acquisitions effectively. Our dedicated M&A team conduct due diligence and we use earn-out clauses where appropriate. Acquisition reports are approved at Board level, and post-acquisition performance is monitored.	
Failure to deliver services **Link to Strategy** **Likelihood**	Most of Keywords' services are of a time-critical nature with delays or service delivery failures potentially impacting the development or launch plans for games or lost contracts and idle capacity.	Timely delivery and the resourcing flexibility to enable delivery to tight deadlines has been an integral part of the Company's modus operandi, and Keywords' approach to project management is applied across the Group. During 2020, client contracts were updated to enable work from home where previously services needed to be made in secure locations.	
Cross contamination risk **Link to Strategy** **Likelihood**	As the Group succeeds in delivering multiple services to the same customers, so the risk of failure in one service line contaminating the relationship with the customer across the other service lines increases.	Adhering to Keywords' strong standards of delivery and efficient communication across service lines is key to managing this risk.	
Client concentration risk **Link to Strategy** **Likelihood**	The Company's client base principally comprises global game companies whose revenues are in the billions and hundreds of millions of dollars. Our top five customers account for 29.1% (2019: 28.1%) of the Company's revenues. These companies have exacting standards and demand a high quality of service. Any failure in this regard or breakdown in the relationships at the top level could cause considerable damage to the business.	The potential impact is partially mitigated through the Company's highly flexible resource base and its expansion continues to reduce its exposure to any single large client, with no single customer accounting for more than 7.5% (2019: 6.2%) of revenues.	

Links to Strategic Pillars:

Building our platform · Selective acquisitions and integration · Organic growth and cross selling

Trend since last year:

No change · Increase · Decrease

Group and strategy risks continued

Risk	Description and Impact	Mitigation	Trend
Failure to meet market expectations **Link to Strategy** **Likelihood** ●●●○	Keywords floated on AIM in July 2013 with an expressed set of objectives of growing the business organically and by acquisition. Should the Company lose the confidence of investors, this will affect its ability to raise money for or place shares to pay for acquisitions.	The Company makes every effort to communicate regularly with investors via announcements and face-to-face contact. This effective communication of the continued opportunities for growth in the sector, how the Group continues to execute on its stated strategy and successfully integrate the businesses it acquires, should continue to maintain the confidence of its investors. The Group maintains a good mix of equity and debt funding which gives it the flexibility and headroom to invest in the business. During 2020 we successfully raised new capital with the share placing, proving that, even during a global crisis, Keywords is a high quality investment proposal.	No change
Inadequate financial and operational controls **Link to Strategy** **Likelihood** ●●○○	Keywords has grown rapidly and it is important that global financial controls are in place to ensure smooth, timely and accurate reporting of financial results to satisfy our external reporting obligations as well as the Board. Failure to accurately report or forecast financial results through error or fraud would damage the Group's reputation.	The Group has invested and continues to invest in its financial reporting function and systems to facilitate strong reporting and management control as it grows. The Group introduced an Internal Audit function in 2019 and the recent new Board appointment of a Chief Operating Officer will drive further improvements.	No change
Failure to manage human resources/ talent effectively **Link to Strategy** **Likelihood** ●●●○	Keywords employs an average of 8,353 in 69 studios across the Group, and people management is key to our performance and service delivery. Failure to attract, retain or develop high quality entrepreneurial management across the business could impact on the attainment of strategic objectives. The Group is focused on these areas with the implementation of globally managed service lines, management development and remuneration programmes, incorporating long and short-term incentives. But with an ever increasing workforce this becomes more demanding.	Keywords' management structure has been fundamental to the Group's success, enabled by embedding a Group culture that binds the teams together, with a common purpose and set of standards. We constantly work to develop and incentivise our people and to support their passion to perform the best service for each project and client, with regular staff surveys undertaken too. In addition, special emphasis is placed on workplace harmony and the prevention of any forms of discrimination, harassment, or malpractice in the workplace, recognising that any sense of dissatisfaction can be very disruptive. This year we have established a Global Diversity & Inclusivity Council, comprised of employees who work closely with senior leaders, to connect D&I activities to the broader business strategy. More details can be found on page 39.	Increase
Non-compliance with legal and ethical standards **Link to Strategy** **Likelihood** ●●○○	A material failure to comply with applicable legal and ethical standards could result in penalties, costs, reputational harm and damage to relationships with suppliers and customers. New standards and disclosure requirements are evolving such as in environmental and climate change reporting.	The Group promotes a culture of "Doing the right thing" in all activities. Code of Business Conduct guidelines were refreshed during 2020 and published on our website, and are supported by more detailed policies and procedures where needed. More details are contained in the Responsible Business section on page 37.	No change

Principal risks and uncertainties continued

Industry-related risks

Risk	Description and Impact	Mitigation	Trend
Breaches to information and cybersecurity **Link to Strategy** **Likelihood**	The industry requires the highest standards of security and privacy within a company offering services such as Keywords. Cyber attacks and security breaches, which are happening with increased frequency globally, may lead to piracy, disruption of customers' marketing plans, loss of competitive edge and could result in compensation claims.	The Company uses various third party and proprietary tools and technologies for process control and productivity purposes. Continued investment in these tools is important to ensure the Group's effectiveness. Keywords maintains physical and data security and privacy policies and procedures which are regularly audited by its larger customers. A dedicated Information Security team set policies, conduct regular penetration testing, monitor activity and rapidly respond to any incidents that arise. More details are contained in the Strategic report on page 40.	
Technology innovation and industry disruption **Link to Strategy** **Likelihood**	Innovations in the gaming industry continue to evolve, together with new technologies for automated testing, machine translation and crowdsourcing could pose a threat to the Group in the long term.	The Company is constantly developing technology tools to deliver its services more effectively and participates directly with customers in various pilot programmes for new technologies to keep abreast of the technology developments. We are investing in advances such as machine translation in Localization described in the Service line review on page 30.	
Negative impact of regulation on video games **Link to Strategy** **Likelihood**	Changes in regulation on video games, such as those seen in the Chinese market which imposed curfews on minors, could result in the delay or cancellation of video games by our customers. Requirements to address responsible gaming in the industry introduces complexity for our clients.	In relation to the Chinese market, Keywords has limited revenue exposure to games destined solely for the Chinese market. In addition, any potential impact is partially mitigated through the Company's diverse revenue base (no single client larger than 7.5% (2019: 6.2%)). Responsible gaming issues arising during game play can be identified by our Player Support teams, trained to handle and report safety incidents, see page 31.	
Tax credits withdrawal risk **Link to Strategy** **Likelihood**	The Company receives multimedia tax credits (MMTC) in Canada and video games tax relief (VGTR) in the UK relating to qualifying costs in those markets. These tax credit regimes are designed to promote growth and investment in the relevant regions. Any reduction or cancellation of these tax credits would increase the cost base of the business and make the business less competitive.	The Group works closely with regulators and governments in relation to relevant country tax credits and has been given no indication that these tax credits will be removed in the medium term. The Group has a geographically diversified operating platform and retains the ability to move to other operating centres if material changes were made.	

Links to Strategic Pillars:

Building our platform · Selective acquisitions and integration · Organic growth and cross selling

Trend since last year:

No change · Increase · Decrease

General business risks

Risk	Description and Impact	Mitigation	Trend
Sudden business interruption **Link to Strategy** **Likelihood**	Keywords is a global business and needs to minimise business interruptions and be able to continue servicing customers. This threat could be internal such as a major failure in its IT systems but also external such as the Group experienced and managed during the 2011 Tokyo earthquake and tsunami or currently with COVID-19 (see below). **COVID-19:** During 2020 and into 2021 the Group's production studios have been impacted by the COVID-19 pandemic resulting in most of the Group's studios either being temporarily closed and/or operating at reduced capacity. Demand for the Group's services has remained robust throughout the pandemic. The Group has demonstrated strong resilience and the ability to quickly move to working from home arrangements in order to continue servicing our customers.	The Group's multiple, full-service delivery hubs provide for a good level of contingency and, supported by business continuity plans, the effects of such disasters can be managed. **COVID-19:** The Group has been able to move c. 6,900 employees to work from home arrangements which allowed production to continue across most of the Group's operations throughout the pandemic. In certain Service lines, alternative ways of working have been introduced to allow continued service whilst physical studios are closed (e.g. remote Audio recording). As studios have reopened, increased health & safety protocols and changes to studio layouts have been introduced to allow for safe working whilst social distancing measures are in place. Further details on how the Group is responding to the challenge faced by COVID-19 is provided in the Chief Executive's review section on pages 14 to 17 and in the Service line review on pages 26 to 31.	Decrease
Global political risk and uncertainty **Link to Strategy** **Likelihood**	We operate and own assets in a large number of geographic regions and countries, and, as a result, we are exposed to a wide range of political, economic, regulatory, social and tax environments. Policies or laws in the countries in which we do business may change in a manner that may be adverse for us, even those with stable political environments. **Brexit** The UK accounts for 15.6% of Group revenue, with 458 employees of the Group's 8,353 based in the UK. The Board has assessed the risk of Brexit on Keywords and concluded that for now, this does not constitute a significant risk.	The diversification and spread of activities geographically mitigates the risk of disruption in any one location.	No change
Negative impact of currency risk **Link to Strategy** **Likelihood**	The Group transacts in multiple currencies, given our customers are located globally. Keywords is therefore exposed to short-term currency risks, in addition to longer-term risk that could develop between our functional currency (Euro) and our multiple billing currencies. The Group's largest exposure is to the US Dollar followed by the Canadian Dollar and Sterling.	The Group does not hedge its currency risk because Keywords' main movements in exchange related gains or losses relate to the effect of translating net current assets held in foreign currencies. We also have the ability to offset adverse foreign exchange currency movements through increasing prices.	No change

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

Jon Hauck
Joint Interim Chief Executive Officer
24 March 2021

Board of Directors

Selecting the right team

Ross Graham FCA (73)

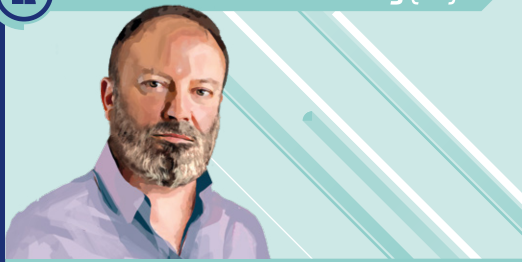
Independent Non-Executive Director and Chairman

Skills and Experience

Ross has extensive Executive and Non-Executive experience in the technology sector. Since retiring from Misys plc, he has held a number of Non-Executive directorships including Psion plc and Wolfson Microelectronics plc. Ross was appointed Director and Chairman of Keywords shortly prior to its IPO in July 2013. Ross creates the necessary environment for dynamic Board discussion and has helped elevate the governance processes without destroying the entrepreneurial essence of Keywords.

Committee	Tenure (years)	Attendance
A N R D RB	8	13/13

Andrew Day (57)



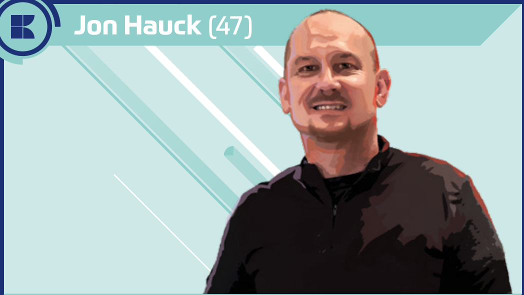
Group Chief Executive Officer

Skills and Experience

Andrew has a background in technology, manufacturing and business services through corporate development and general management roles within both publicly quoted and private companies. Andrew was Chief Executive Officer of interactive retail software developer, Unipower Solutions, and Head of Retail and CPG for EMEA, at NYSE-listed advanced analytics business, FICO, before joining Keywords as its Chief Executive Officer in April 2009.

Committee	Tenure (years)	Attendance
A N R D RB	12	13/13

Jon Hauck (47)



Joint Interim CEO and Chief Financial Officer

Skills and Experience

Jon has a wealth of finance, change management and M&A experience, having held a variety of roles at Rentokil Initial plc since 2008. Over that time he was responsible for leading a substantial integration programme and CFO in North America and from 2015 he held the role of Group Financial Controller and Treasurer. Prior to Rentokil Initial, he worked in PwC's Assurance practice. Jon is a Fellow of the ICAEW.

Committee	Tenure (years)	Attendance
A N R D RB	1.5	13/13

Sonia Sedler (52)

Joint Interim CEO and Chief Operating Officer

Skills and Experience

Sonia has 20 years of experience in scaling up businesses internationally, most recently as Global Head of Managed Services and Banking Strategy at Diebold Nixdorf. She joined Diebold Nixdorf from Sutherland Global Services, where she acted as Managing Director for the EMEA region and led the transformation of customer journeys for a number of blue chip businesses. Her previous leadership roles with digital transformation organisations also include HCL and Accenture.

Committee	Tenure (years)	Attendance
A N R D RB	0.25	-/-

Please reference our website, **www.keywordsstudios.com,** for a full biography on each Director.

Committee Membership

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- D Disclosure Committee
- RB Responsible Business Committee
- C Chairman of Committee

David Reeves (74)

Senior Independent Non-Executive Director

Skills and Experience

David has over 30 years' global experience in management roles within multinational companies. In 1999, he was appointed Executive Vice President of Sony Computer Entertainment (Europe) and President and CEO in 2003. He brings to Keywords a global knowledge of growing multinational companies, experience of the video game industry, Corporate Governance and an understanding of working with companies to develop global strategies.

Committee	Tenure (years)	Attendance
A N R D RB	8	13/13

Charlotta Ginman FCA (55)

Independent Non-Executive Director

Skills and Experience

Charlotta is Chair of the Audit Committee and has held senior positions in the investment banking and technology/telecom sectors. She is a Non-Executive Director and Chair of the Audit Committee of two Investment Trusts: Polar Capital Technology Trust PLC and Pacific Asset Trust PLC. She is also a Non-Executive Director of Unicorn AIM VCT PLC, a Venture Capital Trust, and two AIM listed companies: Boku Inc and Gamma Communications plc. As three of Charlotta's roles are with investment companies that have only 4-5 meetings a year and the other companies are all AIM listed, with less regulatory burden than a premium listing, Charlotta has sufficient time to devote to each of her roles.

Committee	Tenure (years)	Attendance
A N R D RB	4	13/13

Georges Fornay (64)

Independent Non-Executive Director

Skills and Experience

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

Committee	Tenure (years)	Attendance
A N R D RB	4	13/13

Giorgio Guastalla (52)

Non-Executive Director

Skills and Experience

Giorgio is co-founder of Keywords. Prior to establishing Keywords in Ireland in 1998, Giorgio held various positions in marketing and IT at Brent International PLC. In 2002 Giorgio founded Italicatessen Limited, a company operating in the food sector. Giorgio was CEO of Keywords until 2009 before moving to a Non-Executive Director role. With over 20 years' experience in the industry, Giorgio brings a wealth of understanding and knowledge to Keywords.

Committee	Tenure (years)	Attendance
A N R D RB	22	11/13

Chairman's introduction

Ross Graham
Chairman

The Board is committed to the highest standards of corporate governance

Dear shareholders

As Chairman of the Board of Directors of Keywords Group plc ("Keywords", or the "Company/Group" as the context requires), I am pleased to introduce the Group's corporate governance report. The corporate governance statement provides an insight into how the Board operated during the year and the key issues considered. The Board is committed to the highest standards of corporate governance. Our approach to governance is set by the Board and our Executive Directors ensure that the approach is effectively implemented across the business. Effective and robust governance remains central to the ongoing success of the Group.

It is my responsibility to ensure that the Group has both sound corporate governance and a Board which operates mindful of its responsibility to all stakeholders but particularly the creation of shareholder value. As Chairman of the Company, my responsibilities include leading the Board effectively, overseeing the Group's corporate governance model, communicating with shareholders and ensuring that good information flows freely between the Executive and Non-Executive Directors in a timely manner.

Needless to say, 2020 has been a difficult year and the normal interactions in physical locations have, for the most part, had to be suspended with virtual meetings becoming the norm – these are no substitute for the real thing albeit they enable a sense of business as usual. References are made in the relevant places where we have had to make do in 2020 and we are looking forward to restoration of face-to-face interactions as soon as vaccination-enabled normality is resumed.

The Directors of the Company recognise the value of good corporate governance in every part of its business. The Company has adopted the Quoted Companies Alliance Corporate Governance Code (QCA Code), which we believe is the most appropriate for a company with the size and stage of development of Keywords. The Board provides annual updates on our compliance with the QCA Code.

The Board considers that the Group complies with the QCA Code in all applicable respects. Our QCA Code disclosures within this Annual Report are summarised in the table to the right. In addition, an explanatory statement of how we have applied the QCA Code guidance, and disclosures of any areas of non-compliance, can be found on our website at: www.keywordsstudios.com.

	Principle	Disclosure within this report
1	Establish a strategy and business model which promote long-term value for shareholders.	Page 20
2	Seek to understand and meet shareholder needs and expectations.	Page 45
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success.	Page 36
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation.	Page 50
5	Maintain the board as a well-functioning, balanced team led by the chair.	Page 57
6	Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.	Page 54
7	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.	Page 78
8	Promote a corporate culture that is based on ethical values and behaviours.	Page 32
9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.	Page 57
10	Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	Page 45

The Board understands that the application of the QCA Code supports the Group's medium to long-term success whilst simultaneously managing risks and provides an underlying framework of commitment and transparent communications with stakeholders.

The main Group-wide governance documents are our Core Values and the Code of Business Conduct, which set out the values and standards that we expect of our employees. These documents, together with our policies, govern how we conduct our business and set the standards that drive performance. Compliance training helps to enforce this. Board oversight, reviews and audits form part of the monitoring and supervision process.

Risk processes are embedded and reviewed on an ongoing basis across the business. The important governance developments at Keywords over the last year are outlined below.

My ambitions for the composition of the Board are to maintain, and where applicable, broaden the range of expertise, experience and diversity. The Board continues to ensure that effective succession plans are in place at both executive and non-executive level through effective evaluations of the Board and its Committees and one-on-one reviews.

Given current government instructions regarding COVID-19 and the restrictions on social contact, public gatherings and non-essential travel, this year's Annual General Meeting (AGM) will be held via videoconference on 26 May 2021. Shareholders will be able to attend the meeting virtually using the details provided below; as in person attendance is not expected. We recommend shareholders attend the meeting by registering for the videoconference using this URL: www.keywordsstudios.com/agm2021/. Should a shareholder have a question that they would like to raise at the AGM, the Board would ask that they either ask the question in advance of the AGM by sending an email to agm@keywordsstudios.com by the 24 of May 2021 or by attending the AGM virtually and asking the question at the meeting using the 'Q&A' function. The Board of Directors strongly encourages shareholders to vote by proxy in lieu of attending in person. Additionally, the Board will look at opportunities to meet with shareholders later in the year where possible and only if and when it is deemed safe to do so.

Ross K Graham
Chairman

24 March 2021

Corporate governance

Strategy

A description of the Company's strategy, business model and supporting strategic pillars, along with key attributes of our positioning and growing maturity, can be found in the Strategic report on pages 20 to 23.

Internal controls and risk management

The Board recognises the need for an effective and well-defined risk management process and it oversees and regularly reviews the current risk management and internal control mechanisms. The Company's principal risks, along with key challenges in the execution of the Company's strategy and controls implemented to mitigate them, can be found in the Strategic report on pages 50 to 53.

The Audit Committee has been delegated responsibility for the oversight of the Company's risk management and internal controls and procedures, as well as determining the adequacy and efficiency of internal control and risk management systems. Continuous improvement is the aim and although 2020 has evidenced improved practices we know there are still areas where we can do better. The Board continuously monitors and upgrades its internal control procedures and risk management mechanisms and conducts regular reviews, when it assesses both for effectiveness. This process enables the Board to determine whether the risk exposure has changed during the year and these disclosures are included in the Annual Report. In setting and implementing the Company's strategies, the Board, having identified the risks, seeks to limit the extent of the Company's exposure to them having regard to both its risk tolerance and risk appetite.

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

- Group Board Meetings, at a minimum of eight times per year, with reports from and discussions with senior Executives on performance and key risk areas in the business;
- Monthly financial reporting, for the Group and for each service line, of actual performance compared to budget and the prior year;
- Visits to key locations (not practical in 2020);
- Annual budget setting;
- Tight cash management;
- Annual strategy conference with top management team; and
- A defined organisational structure with appropriate delegation of authority.

The Board is supported with the oversight of its internal control systems and risk management through the appointment of a Head of Internal Audit in August 2019. The recent limitations over travel have hampered a more extensive roll-out of the Internal Audit programme – progress has nonetheless been made.

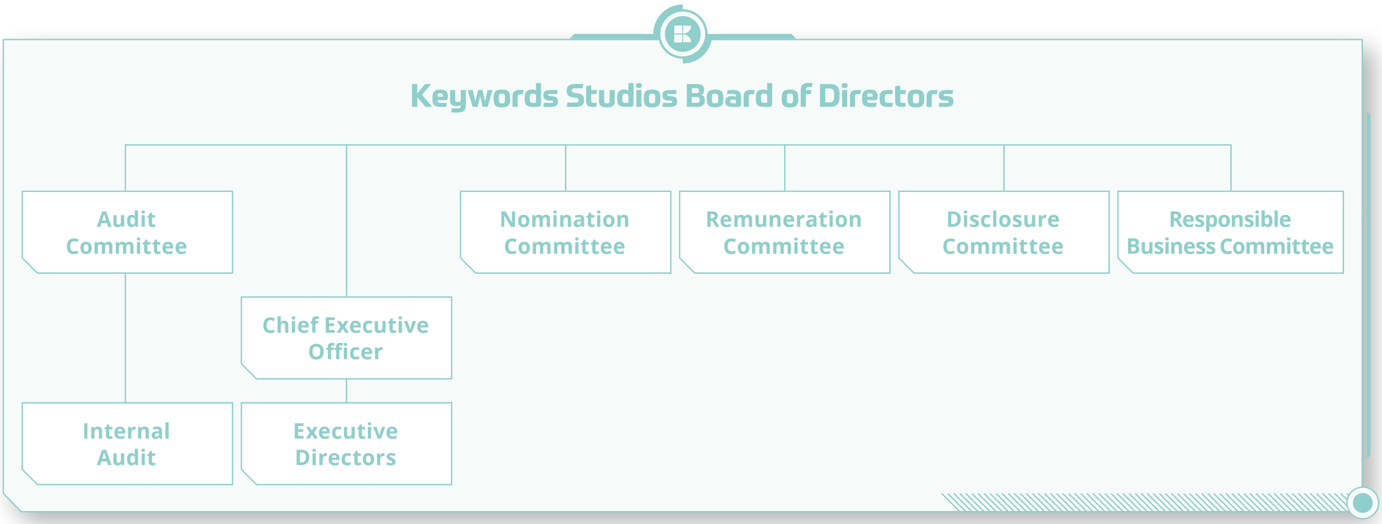
Further information on the Company's approach to risk management and internal controls can be also found in the Audit Committee report on pages 60 to 62.

The Board

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

Director biographies and committee memberships are set out on pages 54 and 55. Charlotta Ginman currently has six NED roles. Of those, three are investment companies that generally only have four to five meetings a year, therefore Charlotta has sufficient time to devote to her Keywords role.

The Board comprises Andrew Day CEO, Jon Hauck CFO, one non-independent Non-Executive Director, Giorgio Guastalla, and four independent Non-Executive Directors, Georges Fornay, Charlotta Ginman, Ross Graham and David Reeves. David Reeves is the Company's Senior Independent Director (SID), and Ross Graham is the Company's Chairman. Since the year end we have recruited Sonia Sedler as COO and a member of the Board. This is a crucial appointment reflecting the growing maturity of the business. Letters of appointment of all Directors are available for inspection at the Company's registered office during normal business hours. The Executive Directors work full time for the Company. All the Non-Executive Directors are expected to dedicate at least 30 days per annum to the Company, rising to 40 days if they also chair a Committee, and the Chair is expected to dedicate 60 days per annum. The Company has adopted a policy whereby all members of the Board are subject to re-election at each AGM.



Corporate governance continued

The Board is satisfied that it has a suitable balance between independence, on the one hand, and knowledge of the Company, on the other, and that no individual or group may dominate the Board's decisions. The Non-Executive Directors have both a breadth and depth of skills and experience to fulfil their roles. The Company believes that the current balance of skills in the Board as a whole reflects a very broad range of personal, commercial and professional experience, and notes the range of financial and managerial skills. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational, enabling the Board to discharge its duties and responsibilities effectively.

By June/July 2022 Ross Graham and David Reeves will each have served nine years on the Company's Board and the successors will need to be appointed to maintain the balance between the independent and non-independent Directors. A process has already been initiated to identify suitable successors.

The Board meets a minimum of eight times a year and a calendar of meetings and principal matters to be discussed are agreed at the beginning of each year. In order to be efficient, the Directors meet formally and informally both in person (limited in 2020) and by telephone. Board and Committee document authors are made aware of proposed monthly deadlines through the calendar of meetings assembled at the beginning of the year. Board papers are collated by the relevant personnel (Chair, Company Secretary, CFO, Committee Chair), compiled into a Board/Committee Pack, and circulated at least three working days before meetings, allowing time for full consideration and necessary clarifications before the meetings. The Board also utilises a fully-functioning Board Portal, which ensures the provision of timely and efficient distribution of Board and Committee papers as well as an effective means of communication for the Board.

Management supply the Board with appropriate and timely information and the Directors are free to seek any further information they consider necessary.

David Reeves acts as the Senior Independent Director (SID) of the Company, serving as a sounding board for the Chairman and acting as an intermediary for the other Directors. The SID is also available to shareholders and other Non-Executive Directors to address any concerns or issues they feel have not been adequately dealt with through the usual channels of communication.

Audit Committee

The Audit Committee is chaired by Charlotta Ginman, and its other members are Ross Graham, David Reeves and Georges Fornay. The Audit Committee is responsible for assisting the Board in fulfilling its financial and risk responsibilities. The Audit Committee oversees the financial reporting, risk management and internal control procedures of the Company. The Audit Committee also advises the Board on the appointment and removal of the external auditor and discusses the nature, scope and results of the audit with the auditors. The Audit Committee reviews the extent of non-audit services provided by the auditors and reviews with them their independence and objectivity. Further information on the Audit Committee can be found in the Audit Committee report on pages 60 to 62.

Remuneration Committee

The Remuneration Committee is chaired by David Reeves, and its other members are Charlotta Ginman and Ross Graham. The Remuneration Committee is responsible for determining the remuneration of the Chairman (who does not participate in such discussions), Executive Directors and senior Executives of Keywords. The Remuneration Committee is responsible for making recommendations to the Board of Directors' and senior Executives' remuneration. Non-Executive Directors' remuneration and conditions are considered and agreed by the Board. Financial packages for Executive Directors are established by reference to those prevailing in the employment market for Executives of equivalent status both in terms of level of responsibility of the position and their achievement of recognised job qualifications and skills. The Committee will also have regard to the terms, which may be required to attract an equivalent experienced Executive to join the Board from another company. Further information on the Remuneration Committee can be found in the Remuneration Committee report on pages 63 to 77.

Nomination Committee

The Nomination Committee is chaired by Ross Graham. Charlotta Ginman, David Reeves and Andrew Day are the other members. Further information on the Nomination Committee, including its role and responsibilities, can be found in the Report of the Nomination Committee on page 78.

Disclosure Committee

The Disclosure Committee is responsible for assisting in the design, implementation and evaluation of the Company's disclosure controls and procedures. The Disclosure Committee is chaired by Andrew Day and its other members are Charlotta Ginman, David Reeves, Ross Graham, Jon Hauck and Sonia Sedler.

Responsible Business Committee

In 2021, we have established the Responsible Business Committee chaired by Georges Fornay. Giorgio Guastalla, Jon Hauck and Sonia Sedler are the other members. Further information on the Responsible Business Committee, including its role and responsibilities, can be found in the Responsible Business report on page 36.

Terms of reference of all Keywords' Committees are available to view on the Company's website at: www.keywordsstudios.com.

The table overleaf sets out attendance statistics for each Director at scheduled Board, and where relevant, Committee meetings held during the financial year.

The Non-Executive Directors meet without the presence of the Executive Directors during the year, and also maintain ongoing communications with Executives between formal Board meetings.

Meetings are open and constructive, with every Director participating fully. Senior management can also be invited to meetings, providing the Board with a thorough overview of the Company.

In addition to their general Board responsibilities, Non-Executive Directors are encouraged to be involved in specific workshops or meetings, in line with their individual areas of expertise. The Board is kept abreast of developments on governance and AIM regulations. ONE Advisory Limited, Keywords' Company Secretary, provide updates on governance issues, and the Company's Nominated Adviser (Nomad), Numis Securities, provides annual Board AIM Rules refresher training as well as the initial training as part of a new Director's on-boarding.

Meetings and attendance

Director	Board (13)	Audit Committee (5)	Remuneration Committee (7)	Nomination Committee (2)	Disclosure Committee (4)
Ross Graham	13	5	7	2	4
Andrew Day	13	–	–	2	4
Jon Hauck	13	–	–	–	4
David Reeves	13	5	7	2	2
Charlotta Ginman	13	5	7	2	2
Georges Fornay	13	5	–	–	–
Giorgio Guastalla	11	–	–	–	–

Figures in brackets represent the scheduled meetings held in the year.

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

Advisors

The Board has regular contact with its advisors to ensure that it is aware of changes in corporate governance procedures and requirements and that the Group is, at all times, compliant with applicable rules and regulations. The Company has Director and Officers' liability insurance cover in place throughout the year and it is intended for the policy to continue for the year ending 31 December 2021 and subsequent years. Additionally, the Company provides an indemnity in respect of all the Company's Directors or other officers of the Company against all costs, charges, losses, expenses and liabilities incurred by them in the execution and discharge of their duties. The Company's Nomad supports the Board's development, specifically providing guidance on corporate governance and other regulatory matters, as required.

ONE Advisory Limited is Keywords' Corporate Company Secretary. ONE Advisory Limited is responsible for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing its operation, as well as helping the Chairman to maintain excellent standards of corporate governance. ONE Advisory Limited also provides Board support through assistance with shareholder meetings and Market Abuse Regulation (MAR) compliance.

The Company has also enlisted the support of Ellason LLP, who provides advice in relation to remuneration. Additional information can be found in the Remuneration report on pages 63 to 77.

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

Board and Committees performance evaluations

Details of the Company's Performance Evaluations for the year can be found in the Report of the Nomination Committee on page 78.

Culture

The Board recognises that its decisions regarding strategy and risk may impact the corporate culture of the Company as a whole. The Board is also aware that the tone and culture set by the Board can have an important influence on the Company as a whole and in the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders while being cognisant of the interests of other stakeholders. Shareholders are encouraged to express their views and expectations for the Company in open dialogue with the Board.

A large part of the Company's activities are centred upon an open and respectful dialogue with employees, customers and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Directors consider that the Company has an open culture facilitating comprehensive dialogue and feedback, which enables positive and constructive challenge. The Board recognises that sustaining this culture will be a crucial element of the long-term success of the business.

Further details can be found in the Our people, our culture (pages 32 to 35) and the Responsible Business report (pages 36 to 45) sections of the Strategic report.

Audit Committee report

Charlotta Ginman
Chair of the Audit Committee

Introduction from the Chair

I am pleased to present, as Chair of the Audit Committee, the report for the year ended 31 December 2020. This report details the work of the Committee over the past year, fulfilling our responsibilities to provide effective governance over the Group's financial activities.

Composition and attendance in 2020

The Committee members, apart from myself, continue to be Ross Graham, David Reeves and Georges Fornay. The Audit Committee, as a whole, has competence relevant to the video games industry, both Ross Graham and I are Chartered Accountants and I also chair the Audit Committee for other public companies. More information about the Committee members can be found on pages 54 and 55. The Committee met five times during the financial year with all members in attendance. The majority of the meetings have been completed remotely by the use of technology, such as videoconferencing and board portal software. I am pleased to confirm that this has worked well, with Committee members able to operate as effectively as before.

Committee role and responsibilities

The Committee has written terms of reference, which are available to view on the Company's website www.keywordsstudios.com. The terms of reference clearly define the Committee's responsibilities and duties and were reviewed by the Board during 2020 and updated accordingly. In addition to the Terms of Reference, the Committee has developed an annual agenda which corresponds with the meeting schedule, to ensure all key responsibilities are completed and managed.

Significant issues considered by the Audit Committee during the year

Audit Regulation

In the year since my last report to you, the UK audit sector has been subject to a number of reviews, such as those conducted by the Competition and Markets Authority into the Statutory Audit Market and the Kingman Review of the FRC which have resulted in a number of recommendations for the Department of Business, Enterprise, Industry and Skills to consider. The Audit Committee has considered the recommendations and how they may affect the Company should they be implemented. These reviews have also coincided with the FRC's own consultation proposing important changes to the UK's Ethical and Auditing Standards which led to the publication of revised Standards effective from 15 March 2020. In addition to this, the Committee also reviews the outcomes of the FRC's annual Audit Quality Reviews and discusses the findings with our Auditor.

The Committee updated the non-audit services policy in line with the revised Ethical Standards and does not at this time recommend any change to the current practices employed in the external audit process in response to these reviews, but will continue to monitor developments as they unfold.

COVID-19 and Going Concern

As a result of the COVID-19 pandemic and the associated economic uncertainty, the Financial Reporting Panel (FRC) has asked companies and boards to pay particularly attention to the potential impact of the pandemic on a business's financial reporting. In particular, on any areas of judgement that are impacted by the potential uncertainly from the COVID-19 pandemic and specifically in the context of going concern disclosures.

The Audit Committee reviewed the Going Concern assessment including management prepared stress testing to the Group's cash flow projections to evaluate the Group's ability to withstand a prolonged period of studio closures as a result of the COVID-19 pandemic, and the economic impact on the industry as a whole.

Whilst the Group has performed very resiliently through the COVID-19 crisis we have assessed the main potential risks as bad debt risk, recognition of COVID-19 subsidies claimed and goodwill impairment which were discussed and monitored by the Audit Committee during the year. Further details are provided in note 1 of the financial statements.

Internal Audit

The Head of Internal Audit reports into the Audit Committee Chair with a dotted reporting line into the Group CFO. The activities of the Internal Audit function are governed by an Internal Audit Charter. During 2020 the Internal Audit plan was revised to take into account the impact of COVID-19. The Audit Committee received updates on the results of Internal Audit work including:

- post acquisition reviews and completion of integration plans;
- implementation and communication of Group policies including the relaunch of the Code of Business Conduct;
- sales process mapping to identify key controls within selected Service lines; and
- improvements in the risk management framework.

In December 2020, the Audit Committee approved the Internal Audit plan for 2021, which will focus on:

- review of key processes in financial reporting and talent management;
- review of financial reporting systems;
- review of the integration of a selection of acquisitions; and
- review of key finance controls at significant studios.

This plan aims to address some of the internal and financial risks and uncertainties identified on pages 50 to 53 such as:

- acquisition and integration risk – how new entities are integrated into the Keywords business;
- adequacy of and compliance with financial and operating controls to ensure smooth, timely and accurate reporting; and
- failure to manage human resources/talent effectively.

Internal control and risk assurance framework

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

Last year's exercise of management confirmation by both the heads of operations and finance per region to the CFO of key policies implemented and financial controls expected to be in place and operational in all of the businesses across the Group has become an annual exercise and going forward will be adapted to the audit themes each year.

The Committee is pleased to see continued progress made in the global financial systems roll-out which will eventually allow a fully integrated reporting system to operate seamlessly across the Group. During 2020 the focus has been on key locations in Europe and Asia, and the majority of studios (representing 87% revenue as at December 2020 from 72% as at December 2019) are now migrated to the new system. To complement the system roll out, a project has been initiated to implement a consolidation, reporting and planning tool to replace the current manual consolidation process. This is expected to be in place by H1 2021.

The work on our Group cash pooling platform continues, providing us with better control and visibility of Group cash and the optimisation of cash management. During 2020 the focus has been on Europe and acquisitions are on-boarded when internal prerequisites are met.

The industry requires the highest standards of security within a company offering services such as Keywords. During 2020 the Committee received regular cybersecurity updates from the IT function to review both the physical and data security policies and procedures.

During the year the Audit Committee has continued its regular review of the Company's principal risks on behalf of the Board, ensuring these are top of mind and relevant, and mitigation plans are in place where possible. For 2020 the risk assessment framework was further improved both by deepening the analysis and the individual risk scoring of each risk as well as ensuring the top down Board risk overview is complemented by a bottom up senior leadership team review. Further details of the principal risks and uncertainties faced by Keywords are identified on pages 50 to 53.

Key accounting issues

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

- Revenue recognition
- Functional reference currency
- Business combinations
- The valuation of goodwill and intangible assets
- Financial instruments
- Alternative performance measures and KPIs
- Segmental reporting
- Taxation
- Going concern

For further detail on these, see notes 2 and 3 of the financial statements.

Annual Report and financial statements

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

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

The Group uses certain APMs to present its results. These are non-GAAP measures but are designed to provide the users of the financial statements with a better understanding of the underlying trading performance of the business. An explanation of the APMs and a reconciliation to the nearest statutory equivalent measure is provided on pages 136 to 143.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31 December 2020, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, and it has reported on these findings to the Board.

Group policies

The individual Group policies are reviewed and monitored regularly by the Audit Committee, and during 2020 Keywords relaunched the Code of Business Conduct. The Code documents the responsibilities to staff, business partners, shareholders and the wider community and the standards expected in return. It is translated into 12 languages and published on the Group website (www.keywordsstudios.com), more details of which are provided in the Responsible Business section on page 37. The following Group policies are reviewed each year:

- Protected disclosures (whistleblowing) policy
- Grievance policy
- Business travel policy
- Anti-Bribery and Corruption
- Non-audit services policy
- Employment of former auditors policy
- Anti-tax evasion policy
- Delegation of Authority

Whistleblowing

During the year, the Audit Committee reviewed and reapproved the whistleblowing policy and accompanying process the Group has rolled out globally. The policy allows employees wherever they are, to raise any concerns they may have about possible financial or other irregularities confidentially. During 2020, no whistleblowing disclosures were reported (2019: three, which were fully investigated and satisfactorily resolved).

Audit Committee report continued

External Audit

Audit services

The Auditor is appointed by the shareholders to provide an opinion on financial statements prepared by the Directors. BDO, the Company's current Auditor, was first appointed on 29 May 2013. The BDO lead partner will rotate in 2021, and it is intended that the audit will go to tender in 2022, in advance of the 10 year guideline, to comply with best practice corporate governance and auditor independence.

The scope of the current annual audit was agreed in advance with the Committee with a focus on areas of audit risk and the appropriate level of audit materiality. The Committee also had discussions with the auditor on fees, internal controls, accounting policies and areas of critical accounting estimates and judgements. The auditor attends all meetings of the Audit Committee and reported to the Audit Committee on the results of the audit work and highlighted any issue which the audit work had discovered, or the Committee had previously identified as significant or material in the context of the financial statements.

There were no adverse matters brought to the Audit Committee's attention in respect of the 2020 audit, which were material or significant or which should be brought to shareholders' attention.

Effectiveness

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

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

Independence and non-audit fees

A non-audit services policy was established in 2018, and updated during 2020, in line with the FRC ethical standards. Any non-audit services are required to be pre-approved by the Audit Committee. During the year BDO provided non-audit services to the Company of €13,000 (2019: €12,000).

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

Charlotta Ginman, FCA
Chair of the Audit Committee

24 March 2021

Directors' remuneration report

David Reeves
Chair of the Remuneration Committee

In order to improve the clarity of our policies and outcomes, I have included a summary of Keywords' main action points in 2020 and 2021:

- No change to the strategic positioning of Executive Director remuneration: salary (targeted at market lower quartile) plus pension (where appropriate) plus modest bonus (capped at maximum 30% of salary), with emphasis on LTIP awards (vesting on Keywords' relative TSR performance).
- CEO, CFO, and all NEDs took 20% salary/fee cuts April to July 2020 due to COVID-19.
- Executive Director salaries were assessed to have fallen materially below 25th percentile versus peers; addressed in 2021 by a cash salary increase and the introduction of salary shares vesting in 1/3 annual tranches. Salary shares do not qualify for bonus, pension, or other basic salary-related rights.
- Major shareholders and proxy agencies briefed on salary structure changes.
- New COO joined 18 January 2021 on cash salary of £295k plus £10k salary shares; also awarded 25,000 LTIP shares as compensation for incentives lapsing from previous employment.
- The Remuneration Committee has recommended, in agreement with the CEO and CFO, that bonuses earned for CEO and CFO will not be paid.
- Bonuses for 2021 for CEO and CFO to be based on clear Financial targets and Non-Financial objectives.
- LTIP awards granted in 2020 at £16.00, with vesting based on TSR vs FTSE Small Cap index.
- LTIP grant value not affected by the 2021 salary increases or salary shares, and windfall gains avoided, as based on a fixed number of shares. Remuneration Committee to take into account the share price at grant when determining the number of shares to be granted.
- LTIPs in 2021 to vest on three-year relative TSR performance vs the FTSE 250 (excl. investment trusts) with vesting of 25% at median TSR and full vesting at 20% outperformance.
- New global employee share-save scheme starts 2021.
- NED fees subject to 3% increase in 2021 following freeze in 2020 plus introduction of fees for membership of new Responsible Business Committee.
- CEO's single figure of total remuneration disclosed 2013–2020.
- CEO pay ratio disclosed. Reduction in ratio 2019 to 2020. CEO took 20% reduction in salary April to July during COVID-19.
- NED base fees and Committee membership fees disclosed.
- Directors' interest in shares disclosed.
- LTIPs exercised by Executive Directors disclosed.
- US$500,000 hardship fund set up to support any COVID-19 affected employees.

Dear fellow shareholders

As Chairman of the Remuneration Committee, it is my pleasure to present the Directors' remuneration report for the period ended 31 December 2020. Keywords Studios plc has chosen to apply the Corporate Governance Code for Small and Mid-size Quoted Companies published by the Quoted Companies Alliance. The Company is currently AIM quoted and the Board recognises the importance of shareholder transparency and standards of governance. Therefore, this report contains all the information required to be disclosed as an AIM quoted Company and also contains some additional information that would be applicable were the Company listed on the London Stock Exchange main market.

We have operated a simple Executive Director remuneration structure made up of base salary and pension, a bonus plan and a Long Term Incentive Plan ("LTIP") which provides a clear link between pay and our key strategic priorities. Keywords offers a pension consistent with that required by local legal requirements, and the pensions offered to Executive Directors is the same as that offered to the local workforce.

During 2020, the Remuneration Committee reviewed the pay structure for the Executive Directors, with a particular focus on how the package compares with companies of similar scale and complexity to Keywords, taking into account Keywords' very significant growth in recent years, particularly with regard to the Company valuation which has increased from c.£150m to c.£2bn over the last five years. Notwithstanding the fact that the Committee fundamentally avoids using regular pay benchmarking to adjust pay levels, we concluded that some changes are required to help ensure fixed pay is consistent with our philosophy of targeting salaries at the lower quartile of relevant comparator groups, as it was evident from our benchmarking (against three broad groups relevant to our talent market and investor base, including the FTSE 250, UK Tech Companies and Global Gaming Companies) that the Keywords CEO and CFO salaries were materially (35% on average) lower than this target position. Having considered the alternative approaches, the Committee approved a one-off increase to Executive Directors' cash salaries above the level which would normally be applied, and the introduction of "salary shares", an annual award of shares vesting in one-third annual tranches over three years subject to continued employment.

Our philosophy is based around using pay to reinforce long-term decision making and alignment with shareholders, so we prefer to reset the fixed pay through this combination of cash increases and salary shares which inherently support our philosophy. Together, these changes bring our current Executive Directors' salaries in line with our target position (market lower quartile). The Committee recognises that shareholders generally prefer to avoid significant fixed pay increases, and hence we have adopted this new structure to be more aligned with shareholders in that half of the current gap to market is closed with shares, rather than cash (also consistent with the powerful alignment of pay with performance). The number of salary shares granted annually going forward will vary based on the share price at grant, and the assessed gap to market, but it is the current intention that the value of these shares in future years will be broadly the same as it is in 2021. The starting point will be to deliver overall salaries (cash plus salary shares) at up to the market lower quartile level for the CEO and CFO.

Directors' remuneration report continued

The Committee will use its discretion to determine whether this default is appropriate, taking into account the circumstances of the individual executive and how the market data has moved. For example, if there is a material increase in the market data then the Committee will consider the appropriate timing for any increases to the salary share component, based on the circumstances at that time. The Committee recognises the general market backdrop around the impact of COVID-19 on companies' share prices and the need to avoid windfall gains if prices have declined significantly, and will take necessary action as required, including a reduction in the number of salary shares at grant if deemed appropriate. The salary share component will not impact the value of cash bonuses or LTIP award levels as LTIP awards are based broadly on fixed number of shares, and are therefore not affected by salary increases.

On behalf of the Committee, I discussed these revisions with several of Keywords' largest shareholders and relevant proxy agencies, and took into account the feedback from these meetings in finalising the details of the changes. We thank those shareholders who contributed to this exercise for their time and feedback which was useful in shaping the design. No other changes are intended in relation to the implementation of our Executive Director remuneration policy in 2021.

The Group delivered a very strong performance in 2020 with good growth in revenue and profit and strong cash generation despite the disruption caused by the COVID-19 pandemic. The performance reflects both the resilience of the Group and the team's hard work and agility to continue to deliver to our customers whilst dealing with the unprecedented COVID-19 production constraints with the majority of our ~9,000 people transitioning to remote working at some time during the year. Following the well-supported €110m placing in May the Group also delivered eight high quality acquisitions in Australia, the US, the UK and Italy, further strengthening the breadth and depth of the Group's value-added services offered to our global video games clients.

Where we were not able to provide work for all our colleagues, particularly in the earlier months of the pandemic, we were fortunate in being able to help them access enhanced unemployment benefits in various territories in which we operate while they were temporarily laid off, and we are pleased to have been able to bring the vast majority of our people back to work. In addition, we established our own US$500,000 hardship fund to support those experiencing more acute financial issues as a result of COVID-19. During 2020, our studios implemented various local initiatives to help colleagues feel connected, engaged and appreciated while working from home. Gift packs, online social events, access to wellbeing counselling and the provision of helplines are just some of these many initiatives.

Bonuses for the 2020 financial year were based on a scorecard of financial (70% weighting) and non-financial measures (30%). The outcome as determined by the Committee would have generated bonuses of c.26% of salary for the CEO and CFO. However, given the general backdrop of the global pandemic, the Committee, in agreement with the CEO and CFO, considered it appropriate that no bonuses be paid to the Executive Directors.

We are delighted Sonia Sedler has joined Keywords as Chief Operating Officer in January 2021. Sonia's pay is consistent with the remuneration policy for Executive Directors, with a cash salary of £295,000, salary shares of £10k, pension of 5% of salary, a maximum bonus of 30% of salary, and an annual LTIP award of 35,000 shares. Sonia was also granted a one-off LTIP award of 25,000 shares in compensation for the incentive awards she has forfeited on joining Keywords, the value of which is based on the expected outcomes of the awards forfeited.

The Committee reviewed the LTIP TSR comparison approach in early 2021 and approved a change to the TSR benchmark for future cycles to take into account the current size of Keywords (which at the start of 2021 is equivalent to FTSE 180) to be the FTSE 250 (excluding investment trusts).

Equity ownership across all organisational levels is important to the philosophy of pay at Keywords, and during 2021, Keywords will be introducing a new all-employee share-save scheme which will enable staff at all levels to purchase Keywords shares, in common with the arrangements used at many of our peers. The Committee will continue in 2021 to keep the remuneration policy and its execution under review to ensure it delivers pay which is consistent with the shareholder experience and our strategic objectives, particularly in light of the continuing COVID-19 pandemic.

It is my hope that you find this a clear and comprehensive report and I look forward to hearing the views of our investors on the information presented here over the coming months.

David A Reeves.

Dr David Reeves
Chair of the Remuneration Committee

24 March 2021

Executive Directors' remuneration at a glance

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

Element	Remuneration in 2020	Remuneration in 2021
Salary	With effect from 1 March 2020: CEO: £244,800 (2% increase) CFO: £204,000 (2% increase)	With effect from 1 March 2021: CEO: £325,000 (33% increase) CFO: £245,000 (20% increase) COO: £295,000
Salary shares	n/a	Shares will be granted with the following values: CEO: £75,000 CFO: £40,000 COO: £10,000
Pension	CEO: 3% of salary CFO: 5% of salary	No change for the CEO and CFO COO: 5% of salary
Annual bonus	Maximum opportunity of 30% of salary based on: Financial targets including turnover and profitability (weighted 70%) Discretionary individual performance (weighted 30%) The Committee determined 2020 performance warranted bonuses of c.26% of salary, but discretion was applied to reduce the bonuses to zero after taking into account the general backdrop of the pandemic	No change to opportunity or measures
LTIP	50,000 and 25,000 LTIPs granted to the CEO and CFO respectively. Three-year performance period Vesting based on Total Shareholder Return performance against FTSE Small Cap Index	The Remuneration Committee intends to make LTIP awards in line with previous years to the CEO and CFO respectively, with an award of 35,000 shares intended also for the COO who will also be granted a one-off LTIP award over 25,000 shares in compensation for the incentive awards she has forfeited on joining Keywords

Directors' remuneration report continued

Section 1: Directors' remuneration policy

Policy and principles

The Remuneration Committee determines the Company's policy on the structure of the remuneration for Executive Directors and the Senior Management Team ("SMT") and is responsible for governing the remuneration policy for the broader employee population.

The objectives of this policy are to:

- Reward Executive Directors and the SMT in a manner that ensures they are properly incentivised and motivated to perform in the best interests of shareholders.
- Provide a level of remuneration required to attract and motivate high-calibre Executive Directors and SMT members.
- Encourage value creation through consistent and transparent alignment of incentive arrangements with the agreed Company strategy over the long term.
- Ensure the total remuneration packages awarded to Executive Directors and SMT members, comprising both performance-related and non-performance-related remuneration, are designed to motivate the individual, align interests with shareholders and comply with corporate governance best practices.

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

- Basic pay is targeted at the lower quartile of relevant comparator groups albeit sufficient for the challenges and pressures of the role; from 2021, awards of Salary Shares used to ensure target position is achieved in a structure which is aligned with shareholders;
- Annual bonuses are set at modest levels with a maximum of 30% of salary on the premise that an annual bonus should not unduly encourage short-term behaviour or commitment of a senior Executive (this does not apply to sales executives); and
- Long-term incentives are the means by which executives can earn significant rewards if, but only if, shareholders likewise have obtained a good return.

Remuneration components for Executive Directors and SMT (the "Executives")

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

The remuneration package comprises the following elements:

- Fixed remuneration (basic salary and, from 2021, salary shares, and for some Executives, pension)
- Performance-based remuneration (annual bonus capped at 30% of salary and LTIP)

During 2020, the Remuneration Committee reviewed the pay structure for the Executive Directors, with a particular focus on how the package compares with companies of similar scale and complexity to Keywords, taking into account Keywords' very significant growth in recent years. The Committee concluded that some changes were required to help ensure fixed pay is consistent with our philosophy of targeting salaries at the lower quartile of relevant comparator groups, as it was evident from our benchmarking that the Keywords CEO and CFO salaries were significantly lower than this target position. Having considered the alternative approaches, the Committee approved a change to the previous policy, to include the introduction of 'salary shares', an annual award of shares vesting in one-third annual tranches over three years subject to continued employment. No other changes have been made to the Policy.

Purpose and link to Strategy	Operation	Opportunity	Performance measures
Base salary			
To attract and retain talented Executives to deliver the Group's strategy, by ensuring base salaries and the implied total package are competitive in relevant talent markets, while not overpaying.	Base salaries are reviewed by the Committee annually, and benchmarked periodically against comparable roles at comparable companies of similar size and complexity. Paid in cash.	Salaries are set on a case-by-case basis to reflect the role, the experience and qualifications of the individual, and are targeted at below market median. Base salary increases for the Executives take into account personal performance, Group performance, significant changes in responsibilities, the average increase awarded to the wider workforce, and competitive market practice.	n/a

Purpose and link to Strategy	Operation	Opportunity	Performance measures
Salary shares			
To supplement the base salary to ensure fixed pay is competitive in relevant talent markets, and is structured to align with shareholders.	Annual awards of shares, the vesting of which is subject to continued employment over three years, with annual one-third vesting. Salary shares are not bonusable nor pensionable (both of which are based only on base salary). Malus provisions apply in certain circumstances.	Set at a level which helps ensure an Executive's fixed pay is around the lower quartile of relevant benchmarks. It is anticipated the value in any one financial year will not exceed £120,000 on an individual basis, but this level may be exceeded based on the Committee's regular review of market pay levels.	n/a
Pension and benefits			
To provide an appropriate structure and level of post-retirement benefit for Executives in a cost-efficient manner that reflects local market norms in the relevant jurisdiction.	At the discretion of the Remuneration Committee, the Executives may participate in a pension scheme facilitated by the Company. The Company also provides access to Group benefit schemes where appropriate by region which may include moderate contribution towards private health insurance, death in service cover and other Group based benefits.	The Company provides access to pension schemes based on local legal requirements or where expected by local labour markets. Contributions meet the minimum requirements or are of a modest level. Basic additional benefits may also be provided where available and where considered the norm for managerial positions in similar businesses.	n/a
Annual bonus			
To provide a modest award where individual and Company performance have been at or above expected levels.	Executives are eligible to participate in an annual bonus scheme. The Remuneration Committee reviews targets and the weighting of performance measures each year. The Company also offers commission arrangements for Executives in sales roles.	Up to a maximum of 30% of salary.	The portion of bonus earned in any one year depends on the Remuneration Committee's assessment of each individual's performance and the overall performance of the Company against predetermined turnover and profitability targets for the year. Performance targets are typically weighted 70% on the Company's financial performance and 30% on personal performance (however, if the Company's financial performance is considered to be unsatisfactory, the element based on personal performance is likely to be foregone or reduced).
LTIP			
To incentivise delivery against total shareholder return targets and align the interests of Executives and shareholders in growing the value of the Group over the long term.	LTIP grants are made annually in the form of conditional awards of shares or nil-cost share options which vest subject to performance conditions measured over three years. Once vested, awards may be exercised for a period of up to seven years from grant. Malus provisions apply in certain circumstances.	LTIP awards are granted as a number of shares, which is subject to periodic review by the Committee to ensure the level is appropriate (as evidenced through the reduction in the LTIP shares granted to the CEO over the last several cycles).	Vesting of the LTIP is subject to continued employment during the performance period and the achievement of performance conditions based on Total Shareholder Return ("TSR"). The Committee has the power of discretion to adjust the outcome in exceptional circumstances so that it is a fair reflection of the underlying performance of the Group. Further details, including the performance targets attached to the LTIP in respect of each year will be disclosed in the relevant implementation report on remuneration (subject to these being considered not to be commercially sensitive).

Directors' remuneration report continued

Section 1: Directors' remuneration policy continued

Executive Director shareholding guidelines

Executive Directors are encouraged to build and maintain over time a shareholding in the Company with a value equivalent to at least 100% of their base salary to be met through the retention of vested LTIP shares. Details of the Executive Directors' current shareholdings are provided on page 75.

Malus policy

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

Use of discretion

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

Process for determining the remuneration policy

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

Executive Director service contracts

In accordance with general market practice, each of the Executive Directors has a rolling service contract. The following table shows the date of the service contract for each Executive Director in post for 2021:

Executive Director	Position	Date of appointment	Date of service agreement	Notice period
Andrew Day	CEO	1 Apr 2009	21 Jun 2013	6 months
Jon Hauck	CFO	14 Oct 2019	30 Sep 2019	6 months
Sonia Sedler	COO	18 Jan 2021	7 Dec 2020	6 months

Remuneration for the wider workforce

The remuneration policy for other employees is based on principles consistent with those that are applied to Executive remuneration, with the common objective of driving financial performance and the achievement of strategic objectives and contributing to the long-term success of the Group. Remuneration supports our ability to attract, motivate and retain skilled and dedicated individuals whose contribution continues to be a key factor in the Group's success.

Annual salary reviews take into account Company performance, local pay and market conditions plus salary levels for similar roles in comparable companies. Some employees below Executive level are eligible to participate in annual bonus schemes; opportunities and performance measures may vary by organisational level, geographical region and an individual's role. An annual survey is conducted to ensure gender equality as it relates to employee compensation.

The Group complies with equal pay directives across all its locations, conducting periodic assessments and analysis. The Board is satisfied that there is equal pay given location and roles. In particular, the Board of Directors discussed the results of the latest UK Gender Pay Gap analysis in December 2020 and noted the reduction in gaps from 2019 for mean and median hourly pay.

Employee Stock Option Plans (LTIPs and Stock Options) are used for senior permanent members of staff, in which approximately 10% of the workforce participate (3.3% in the LTIP and 6.7% in Stock Options). The focus of the ESOPs is to retain talent and create long-term shareholder value consistent with fulfilment of the Company's long-term strategic goals.

During 2020, the Committee reviewed how share ownership could be further enhanced throughout the organisation. In 2021, Keywords will be introducing a new all-employee share-save plan which will enable staff at all levels to purchase Keywords shares, in common with the arrangements used at many of our peers.

External appointments held by Executives

Executives may not accept any external appointment without the consent of the Board.

Consideration of shareholder views

The Remuneration Committee took into consideration major shareholder views, and those of their representative agencies, during the year and will further do so at the AGM, in shaping the Company's implementation of its Remuneration Policy as well as the changes to the Policy.

Leaver treatment

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

Executives who resign or are dismissed for cause are, by default, not eligible for an annual bonus if they have left or are under notice at date of payment and forfeit all unvested LTIP shares including Salary shares.

At the Remuneration Committee's discretion good leavers (normally including such circumstances as retirement, death, disability and redundancy) may be allowed to exercise a proportion of unvested LTIPs and Salary shares in the 12 months post-termination when, or to the extent that, the performance criteria for vesting, are met.

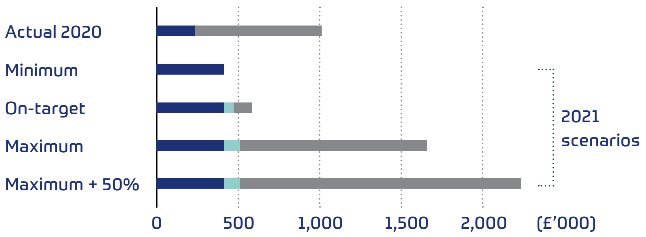
On a change of control, unvested LTIP awards and Salary shares may be exercised at the time of the event subject to the rules of Keywords Studios plc Long Term Incentive Plan.

Pay for performance scenario analysis

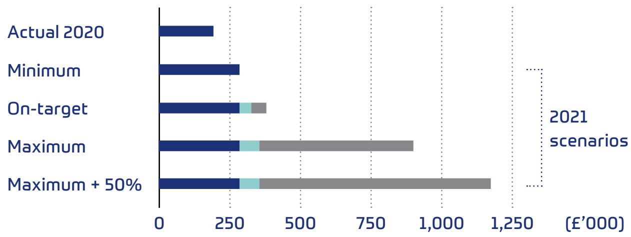
The charts below provide an estimate of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under four different performance scenarios: "Minimum", "On-target", "Maximum" and "Maximum +50% (share price appreciation)". These charts illustrate how performance-orientated and long-term the Company's remuneration arrangements are, with the majority of the remuneration opportunity being delivered only under the "Maximum" scenarios. We have also included a bar showing the value of the actual package paid for 2020, the fixed pay of which is below the "Minimum" scenario due to the four-month salary reduction during 2020.

Potential reward opportunities are based on the Remuneration Policy, applied to 2021 base salaries and incentive opportunities. Note that the LTIP awards granted in a year will not normally vest until the third anniversary of the date of grant, and the projected value excludes the impact of share price movement except in the "Maximum +50%" scenario.

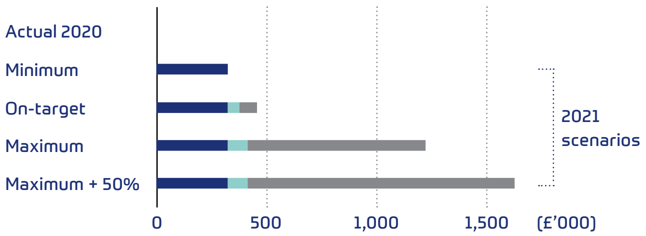
CEO



CFO



COO



Fixed pay
Bonus
LTIP

Assumptions:

"Actual 2020": Fixed remuneration (2020 base salary, pension), bonus paid for 2020 and LTIP vesting in 2020.

"Minimum": Fixed remuneration only (2021 base salary, salary shares, pension).

"On-target": Fixed remuneration as above, plus target bonus (18% of base salary) and threshold LTIP vesting (10% of maximum) at the three-month average share price to 31 December 2020 (of £23.05).

"Maximum": Fixed remuneration, plus maximum bonus (30% of salary) and full vesting of proposed 2021 LTIP awards at three-month average share price to 31 December 2020.

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

Non-Executive Director fee policy

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

Directors' remuneration report continued

Section 2: Implementation of the remuneration policy in 2020

The Remuneration Committee

The members of the Remuneration Committee in 2020 were David Reeves (Committee Chairman), Charlotta Ginman and Ross Graham. The members are all Independent Non-Executive Directors. In the year ended 31 December 2020, the Remuneration Committee met on eight occasions. All three members of the Committee attended the Committee meetings throughout the year together with, on occasion, the CEO, the CFO, the COO and the Global HR Director, all at the request of the Committee Chairman.

The Company Chairman and the Chairman of the Remuneration Committee also met with key investors and relevant proxy agencies in 2020 to obtain input and feedback on Executive and Company-wide remuneration.

The remit of the Committee is to determine and agree with the Board the framework for the remuneration of the Company Chairman (Ross Graham is not involved in related discussions), Executive Directors, Company Secretary and other members of the Senior Management of the Group, and also oversee the remuneration policy for the wider workforce. No Director is involved in any discussion or decision about his or her own remuneration.

Mercer Kepler supported the Remuneration Committee on remuneration related matters in 2020. Following the lead advisor leaving to join Ellason LLP, the Committee appointed Ellason LLP to provide independent advice to the Committee from 1 January 2021. Mercer Kepler and Ellason are members of the Remuneration Consultants' Group and, as such, voluntarily operate under the Code of Conduct in relation to Executive remuneration consulting in the UK. Mercer Kepler and Ellason LLP do not have any other association with the Company and are considered independent by the Committee.

Directors' emoluments

The remuneration for the Directors of the Company for the period year ended 31 December 2020 is detailed in the table below:

	2020 Fixed pay £'000				2020 Variable pay £'000			2020 Total remuneration
Director	Salary/fee[1]	Benefits	Pension	Total	Bonus	LTIP[2]	Total	£'000
Andrew Day	228		7	235		777	777	1,012
Jon Hauck	190		10	200				200
Ross Graham	84			84				84
David Reeves	63			63				63
Giorgio Guastalla	45			45				45
Georges Fornay	48			48				48
Charlotta Ginman	59			59				59
TOTAL	717		17	734		777	777	1,511

1. The Directors took a 20% reduction in salary for April to July related to the COVID-19 crisis.
2. Based on share price vesting date of 15 May 2020 @£14.95 for 52,000 LTIPs.

The remuneration for the Directors of the Company for the period year ended 31 December 2019 is detailed in the table below:

	2019 Fixed pay £'000				2019 Variable pay £'000			2019 Total remuneration
Director	Salary/fee	Benefits	Pension	Total	Bonus	LTIP	Total	£'000
Andrew Day	234		2	236		962	962	1,198
Jon Hauck	50		3	53	6		6	59
Ross Graham	92			92				92
David Reeves	68			68				68
Giorgio Guastalla	48			48				48
Georges Fornay	51			51				51
Charlotta Ginman	63			63				63
TOTAL	606		5	611	6	962	968	1,579

Annual bonus outcome for 2020

During 2020, the Executive Directors participated in the annual bonus scheme, and were eligible to earn awards of up to 30% of salary, subject to the attainment of specific targets set for each individual. The portion of bonus earned in the year was dependent on Company performance (weighted 70%) against financial targets for the year in line with our financial KPIs (see pages 24 and 25) and on the Remuneration Committee's discretionary assessment of each individual's performance (weighted 30%).

The financial targets were based on Revenue (weighted 25% of total bonus), PBT (25%), Gross Contribution (15%), and Adjusted Cash Conversion (5%). Performance against the targets set for the year was assessed by the Committee, and the Committee determined that full-vesting of the financial component was warranted. The targets are not disclosed due to commercial sensitivities.

The discretionary element takes into account the Director's performance for the year against non-financial targets, under various categories.

- The CEO's 2020 non-financial objectives included four categories, each weighted 7.5% of the overall bonus opportunity, including Organisational Development, Global Operating Systems, Client & Investor Relations, and M&A. The Committee assessed the CEO's achievement at 18% out of 30%.
- The CFO's 2020 non-financial objectives included five categories, each weighted 6% of the overall bonus opportunity, including Management Accounts, ESG (Environment, Society, Governance), Internal Control Framework, Treasury Management Function, and Financial Systems. The Committee assessed the CFO's achievement at 15% out of 30%.

The outcome against the targets set for the year would have generated bonuses of 26.4% and 25.5% of salary for the CEO and CFO respectively. However, given the general backdrop of the global pandemic, the Committee, in agreement with the CEO and CFO, considered it appropriate that no bonuses be paid to the Executive Directors.

Director	Bonus 2020 formulaic outcome	Outcome after application of discretion	Bonus for 2020
Andrew Day	26.4% of salary	0% of salary	£nil
Jon Hauck	25.5% of salary	0% of salary	£nil

Long-term incentives vesting in 2020

In May 2017, Andrew Day was granted an LTIP award over 52,000 shares, the vesting of which was based on the Company's TSR performance versus the Numis Smaller Companies (excluding Investment Trusts) Index over the three-year period ending on 15 May 2020. The full vesting of the awards required Keywords TSR to outperform the Numis Smaller Companies (excluding Investment Trusts) Index over the performance period by 45%. The Company's TSR performance over this period significantly outperformed that of the Index (by 105.2%) resulting in full vesting of these awards in 2020.

Other long-term incentives outstanding during 2020

LTIP awards granted to the Executive Directors in May 2018, May 2019 and September 2019 remained outstanding during 2020.

The full vesting of the 2018 awards requires Keywords TSR to outperform the Numis Smaller Companies (excluding Investment Trusts) Index over the three-year period by 20%. Based on performance up to 31 December 2020, these awards would fully vest.

Vesting of the 2019 awards requires Keywords TSR to outperform the FTSE Small Cap Index over a three-year period. Threshold vesting (10% of the award) will be earned for TSR in line with the Index and full vesting will be earned for exceeding the Index TSR by 20% over the performance period. Based on performance up to 31 December 2020, these awards would fully vest (see TSR performance chart next page).

Long-term incentives granted during 2020

In 2020, the Executive Directors were awarded LTIPs, the vesting of which is based on the Company's TSR performance versus the FTSE Small Cap Index over a three-year performance period. Threshold vesting (10% of the award) will be earned for TSR in line with the Index and full vesting will be earned for exceeding the Index TSR by 20% over the performance period.

The number of shares granted to the Executive Directors is summarised in the table below.

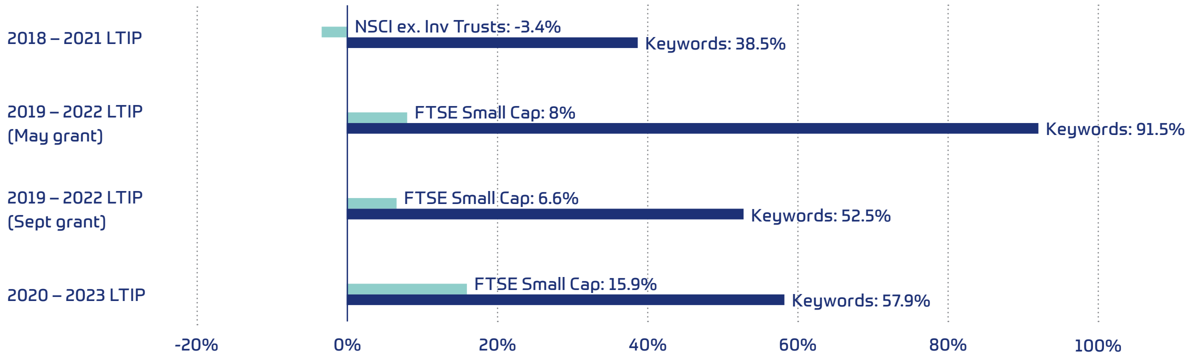
Director	Number of shares	Value as % of salary	Performance period	Vest date
Andrew Day	50,000	325%	1 May 2020 – 30 April 2023	1 May 2023
Jon Hauck	25,000	195%	1 May 2020 – 30 April 2023	1 May 2023

Directors' remuneration report continued

Section 2: Implementation of the remuneration policy in 2020 continued

The 2020 awards were granted at a share price of £16.00 (note 17). Based on performance up to 31 December 2020, these awards would fully vest (see chart below).

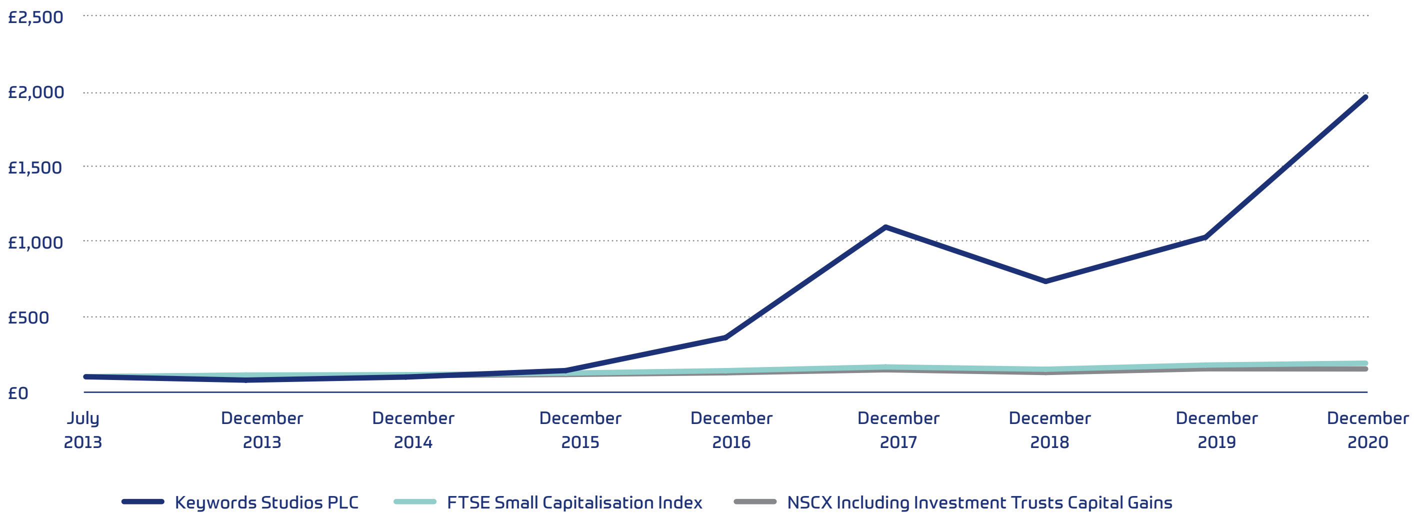
TSR performance up to 31 December 2020, in-flight LTIP awards



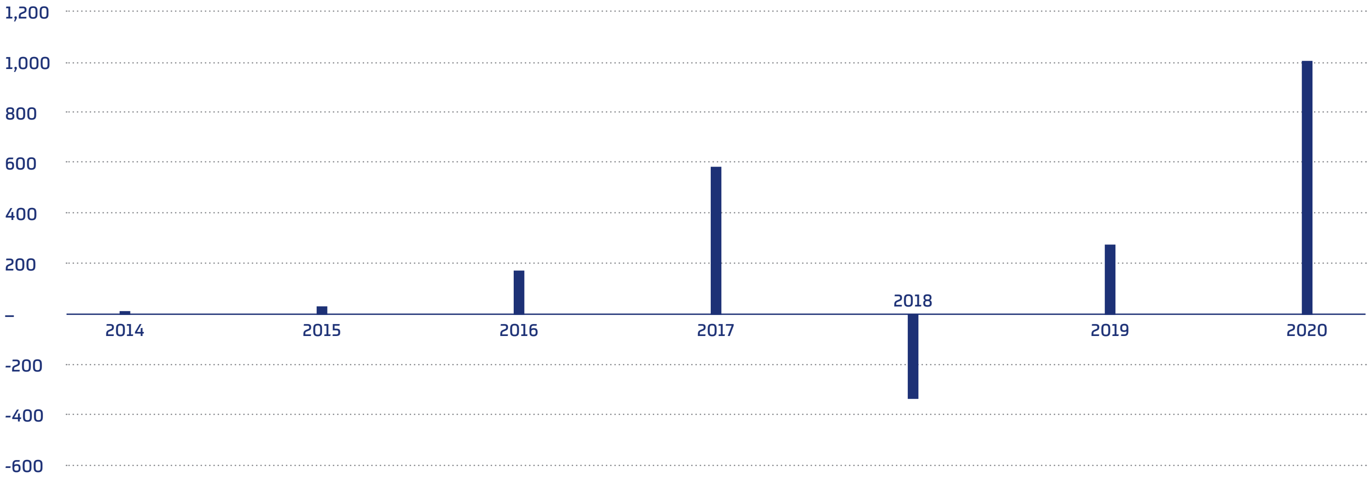
TSR performance

The charts below show (i) the Company's TSR since listing versus the FTSE Small Cap and Numis Smaller Companies indices, and (ii) the shareholder value created each financial year based on share price growth and dividends paid.

Value of £100 invested in July 2013



Shareholder value created each year, £m



Note: Shareholder value created each year is based on the change in share price plus dividends paid over each financial year multiplied by the number of shares outstanding at the start of each year.

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

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Single figure (£'000)	52	146	213	449	397	820	1,198	1,012
Annual bonus outcome (% of max)	N/A	100%	100%	100%	100%	30%	0%	0%
LTIP vesting (% of max)	N/A	N/A	N/A	100%	N/A	100%	100%	100%
SOP vesting (% of max)	N/A	N/A	100%	100%	100%	N/A	N/A	N/A

Chief Executive Officer pay ratio

The table below provides disclosure of the ratio between the CEO's total remuneration and that of the lower quartile, median and upper quartile of our 458 (2019: 380) UK-based employees.

Year	Methodology used	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2020	Option A	33:1	25:1	18:1
2019	Option A	38:1	30:1	21:1

Year		P25 (lower quartile)	P50 (median)	P75 (upper quartile)	CEO
2020	Salary (£'000)	27	35	50	228
	Total remuneration (£'000)	31	40	57	1012
2019	Salary (£'000)	26	35	50	240
	Total remuneration (£'000)	32	41	57	1198

Directors' remuneration report continued

Section 2: Implementation of the remuneration policy in 2020 continued

The lower, median and upper quartile employees were determined using calculation methodology A which involved calculating the actual full-time equivalent remuneration for all UK employees for the year ended 31 December 2020. From this analysis, three employees were then identified as representing the 25th, 50th and 75th percentile of the UK employee population. Keywords chose this method as it is the preferred approach of the Government and that of shareholders, and the Company had the systems in place to undertake this method. As the drafting of this report was earlier than the final determination of bonuses for the wider population, the bonus outcomes have been based on the financial forecasts in December 2020.

The reduction in the ratio between 2019 and 2020 is a result of Andrew Day taking a reduction in salary during April to July related to the COVID-19 crisis, and an increasing proportion of higher paid engineering and marketing service staff among our UK employees.

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

Annual percentage change in remuneration of Directors compared to employees

The table below shows the percentage change in salary, taxable benefits and annual bonus set out in the single figure of remuneration tables paid to each Director in respect of the 2019 and 2020 financial years compared to that of the average pay of all employees of the Group.

Director	Salary/fees % change	Benefits % change	Annual bonus % change
Andrew Day	-2.6%	0%	N/A**
Jon Hauck*	-5.0%	0%	-100%
Ross Graham	-6.7%	N/A	N/A
David Reeves	-6.7%	N/A	N/A
Giorgio Guastalla	-6.7%	N/A	N/A
Georges Fornay	-6.7%	N/A	N/A
Charlotta Ginman	-6.7%	N/A	N/A
Average all employees	3.0%	0%	3.0%

The reduction reflects the Directors taking a reduction of 20% during the first four months of the COVID-19 crisis.

* Jon Hauck's 2019 salary was only from his joining date and is prorated for 2019 comparison. He also took a 20% reduction from April to July 2020.

** Andrew Day, in addition to taking the four-month salary reduction, waived his bonus for 2019.

Implementation of the remuneration policy in 2021

Salary

With effect from 1 March 2021, base salary increases of 33% and 20% have been awarded to the CEO and CFO respectively, such that their 2021 base salaries will be £325,000 and £245,000 respectively. On her appointment to the Board in January, the COO's base salary will be £295,000.

Salary shares

In line with the changes implemented to the Remuneration Policy in 2021, the Executive Directors will be granted awards of Salary shares at the same time as LTIP awards are granted. The number of Salary shares will be based on the share price at the time of grant, and will be based on grant values intended to ensure total salaries (base salary plus salary shares) are consistent with our targeted remuneration position, which will mean Salary share awards over the following amounts in 2021: CEO £75,000, CFO £40,000, COO £10,000. Awards will vest in one-third annual tranches over three years and be subject to continued employment over this period.

Pension

The Executive Directors' pensions remain unchanged at 3% and 5% of salary for the CEO and CFO respectively. On her appointment to the Board, the COO will receive a pension of 5% of salary.

Annual bonus

The Executive Directors will be eligible to earn an annual bonus of up to 30% of salary in line with previous years. The outcome will be determined with reference to targets set at the start of 2021 around financial performance (revenue and profit, weighted 70%) and personal performance (weighted 30%).

LTIP

The Remuneration Committee intends to make awards under the LTIP to the Executive Directors in line with previous years, with vesting based on the Company's three-year TSR performance versus the FTSE 250 (excluding investment trusts) index, with threshold vesting (25% of the award) for TSR in line with the Index and full vesting for exceeding the Index TSR by 20% over the performance period. The Committee reviewed the TSR comparison approach in early 2021 and approved a change to the TSR benchmark to take into account the current size of Keywords (which at the start of 2021 is equivalent to FTSE 180). The COO will receive an LTIP award of 35,000 shares.

Appointment of Chief Operating Officer

Sonia Sedler joined the Board on 18 January 2021. The remuneration package for the COO is as described above. She will also be granted a one-off LTIP award of 25,000 shares in compensation for the incentive awards she is forfeiting on joining Keywords, the value of which is based on the expected outcomes of the awards forfeited. This one-off award will vest according to Keywords relative TSR performance, in line with other LTIP awards granted in 2021.

Non-Executive Directors' remuneration

Non-Executive Director fees are based on the roles and responsibilities of the Directors (see table below). The base fees have been increased by c.3% for the Non-Executive Directors in 2021 to reflect the increased scale of the business and the consequent increased time requirement of the Directors.

Role	Ross Graham*	David Reeves	Giorgio Guastalla	Charlotta Ginman	Georges Fornay
Board Chairman	£93,000				
Senior Independent Director fee		£5,000			
Non-Executive Director basic fee		£49,500	£49,500	£49,500	£49,500
Additional fees:					
Chairman of the Audit Committee				£12,000	
Chairman of the Remuneration Committee		£12,000			
Chairman of the Responsible Business Committee					£12,000
Member of:					
Audit Committee		£3,000			£3,000
Remuneration Committee				£3,000	
Responsible Business Committee			£3,000		
Total	£93,000	£69,500	£52,500	£64,500	£64,500

* Ross Graham receives no additional fees on top of his Board Chairman fee for his membership of the sub-committees.

Directors' interest in shares

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

	At 31 Dec 20	At 31 Dec 19
Andrew Day	3,296,573	3,296,573
Giorgio Guastalla[1]	3,150,662	3,150,662
Ross Graham	59,819	58,440
David Reeves	33,089	32,400
Georges Fornay	6,521	5,142
Charlotta Ginman	1,733	1,733
	6,548,397	6,544,950

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

Directors' remuneration report continued

Section 2: Implementation of the remuneration policy in 2020 continued

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

LTIP

During the year, Andrew Day exercised the LTIP awards granted to him in 2013 as they had reached the end of their exercise period (seven years from grant).

	Number at 31 December 2019	Number granted during the year	Number vesting during the year	Number lapsed/ forfeited during the year	Number exercised during the year	Number at 31 December 2020	Vesting date	Current vesting expectation**
Andrew Day	86,593	–	–	–	86,593	–		
	35,000	–	–	–	–	35,000	1 Jun 2018*	
	60,000	–	–	–	–	60,000	10 May 2019*	
	52,000	–	52,000	–	–	52,000	15 May 2020*	
	50,000	–	–	–	–	50,000	18 May 2021	100%
	50,000	–	–	–	–	50,000	3 May 2022	100%
	–	50,000	–	–	–	50,000	1 May 2023	100%
Jon Hauck	25,000	–	–	–	–	25,000	30 Sept 2022	100%
	43,936	–	–	–	–	43,936	30 Sept 2022	100%
	–	25,000	–	–	–	25,000	1 May 2023	100%
Total	402,529	75,000	52,000	–	86,593	390,936		

* Awards have vested.

** Vesting expectation (% of award) is based on the achievement of the TSR performance condition up to 31 December 2020.

On 3 June 2020 Andrew Day exercised 86,593 options dating from the time of the Company's IPO in 2013, at a price of £17.70. The exercise price of these options, granted under the LTIP, was 1p each.

The unvested LTIP awards in the table above vest according to Keywords TSR performance vs the Numis Smaller Companies (excluding Investment Trusts) Index (for awards vesting in 2021) and vs the FTSE Small Cap Index (for awards vesting in 2022 and 2023).

Share Option Scheme

	Number at 31 December 2019	Number granted during the year	Number lapsed/ forfeited during the year	Number exercised during the year	Number at 31 December 2020	Vesting dates
	21,167	–	–	21,167	–	12 Jul 2015
Andrew Day	21,167	–	–	21,167	–	12 Jul 2016
	21,168	–	–	21,168	–	12 Jul 2017
Total	63,502	–	–	63,502	–	

On 3 June 2020 Andrew Day exercised 63,502 options dating from the time of the Company's IPO in 2013, at a price of £17.70. The exercise price of these options was £1.23 each.

Executive Directors no longer receive awards under the Share Option Scheme. During the year, Andrew Day exercised all the option awards above granted to him in 2013 as they had reached the end of their exercise period (seven years from grant).

Report of the Nomination Committee

Roles and responsibilities

The role of the Committee is to develop and maintain a formal, rigorous and transparent procedure for making recommendations on appointments and reappointments to the Board. In addition, it is responsible for reviewing the succession plans for the Executive Directors and the Non-Executive Directors. This involves:

- Reviewing the structure, size and composition of the Board and making recommendations to the Board with regard to any changes.
- Assessing the effectiveness and performance of the Board and each of its Committees including consideration of the balance of skills, experience, independence and knowledge of the Company on the Board, its diversity, including gender, how the Board works together as a unit, and other factors relevant to its effectiveness.
- Considering succession planning for Directors and members of the Executive Management Team.
- Identifying and nominating new members to the Board.
- Reviewing the results of the Board performance evaluation process that relate to the composition of the Board and the performance of individual Directors.
- Reviewing annually the time input required from Non-Executive Directors.

Diversity

The Committee reviews the Board diversity policy regularly, with the last review in March 2020. The policy acknowledges that an effective Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other distinctions between Directors and emphasises that in identifying suitable candidates for appointment to the Board, the Committee will consider candidates on merit against objective criteria, with due regard for the benefits of diversity on the Board.

Governance processes

The Committee meets at least twice a year and at such other times as the Committee Chair or any member of the Committee may request. In 2020, the Committee met twice. The Committee has formal terms of reference which can be viewed on the Company's website, www.keywordsstudios.com.

Main activities

Succession

The Board is committed to effectively managing leadership succession and proactively engages with the Senior Management Team to assess the Executive talent pool. The Committee and the Board receive regular contributions from individuals in the wider Executive Group at meetings of the Board and Committees throughout the year. These contributions are valuable for our decision making and have helped the Non-Executive Directors to develop a clear understanding of the strength of the management team.

Succession planning is designed to consider the planned process of transition to new leadership over time and also the potential for unforeseen change over a shorter time frame. The Board and the Committee keep in touch with the talent development process throughout the organisation, conscious of the strategic importance of promoting from within as far as possible to support the Company's growth plans as set out in the Strategic report.

Senior management succession planning will continue to be a focus for 2021.

Board and Committee composition

The Committee reviewed the size, composition and skill set of the Board during the year and concluded that there was an appropriate mix of experience, skills and knowledge to provide strong and effective leadership.

The Committee also recognises that by June/July 2022, Ross Graham and David Reeves will have completed nine years. An active process is in hand to find successors.

Role of the Company Secretary

The Directors have access to Company Secretarial support through ONE Advisory Limited, the appointed Company Secretary, whose experienced qualified Company Secretaries also provide advice on corporate governance matters.

Annual evaluation of the Board and Committees' performance

This year's annual Board and Committee evaluation exercise was conducted on an independent basis by ONE Advisory Limited (ONE Advisory).

The areas covered included structure and skills, operating effectiveness, operating efficiency, quality of information and ongoing development. The evaluation process involved detailed questionnaires for the Board (including feedback on the overall contribution of each Director), review of the Chairman and a survey regarding each of the Board's main Committees. An independent report upon the findings of the Board and Committee surveys was prepared by ONE Advisory.

The evaluation process confirmed that the Board and its Committees are working well and identified a number of areas which had improved during the prior year including the appointment of Sonia Sedler as COO.

The Board will review the findings of the survey in the first half of 2021 and will develop an action plan to address the areas highlighted for attention in the coming year. These areas included:

- greater engagement with members of the Senior Management Team (recognising that a number of intended visits to company locations had to be cancelled in 2020 due to COVID-19);
- as the Group has expanded so the strategic options for Keywords have become more complex; these will require greater analysis in 2021 than heretofore; and
- succession planning in light of the expected retirements of the Chairman and Senior Independent Director during 2022.

The Chairman will incorporate feedback on the overall contribution of each Director into individual reviews of the performance of the Non-Executive Directors. The contribution of the Chairman will be reviewed by the rest of the Directors in the first half of 2021.

Ross Graham

Ross K Graham
Chair of the Nomination Committee

24 March 2021

Directors' report

The Directors present the Annual Report together with both the audited consolidated financial statements and the parent Company (Keywords Studios plc) financial statements for the year ended 31 December 2020.

Disclaimer

The purpose of this Annual Report and financial statements are to provide information to the members of the Company. The Annual Report and financial statements have been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its Directors and employees, agents or advisors do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

The Annual Report and financial statements contain certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and financial statements and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report and financial statements should be construed as a profit forecast.

Dividends

The results for the year are set out on page 87. As described in the CFO's report, the Board is not proposing a final dividend for 2020 but intends to resume dividend payments in 2021.

Directors and changes to the Board

The Direc-tors of the Company during the year were Ross Graham, Andrew Day, David Reeves, Giorgio Guastalla, Georges Fornay, Charlotta Ginman, and Jon Hauck. Sonia Sedler was appointed as Chief Operating Officer and member of the Board from 18 January 2021. Details of members of the Board are set out on pages 54 and 55.

Going concern

The Directors have performed an assessment, including a review of the Group's budget for the 2021 financial year and its longer term plans. After making enquiries, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the consolidated and Company financial statements. In doing so, the Directors have considered the uncertain nature of the current COVID-19 pandemic, but have noted:

- the strong cash flow performance of the Group through the year;
- the continued demand for the Group's services;
- the ability to operate most of its services in a work from home model where studios are temporarily closed;
- the historical resilience of the broader video games industry in times of economic downturn; and,
- the ability of the Group to flex its cost base in response to a reduction in trading activity.

The Directors have also considered the Group's strong liquidity position, with net cash of €103m and committed undrawn facilities under the RCF of €100m as at 31 December 2020. The Directors have applied downside sensitivities to the Group's cash flow projections to evaluate the Group's ability to withstand a further prolonged period of studio closures as a result of the COVID-19 pandemic, leading to a reduction in production capability. Under this severe case the Group would have sufficient liquidity and remain within its banking covenants. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue to operate and meet their liabilities as they fall due for the foreseeable future, a period considered to be at least 12 months from the date of these interim financial statements and therefore the going concern basis of preparation continues to be appropriate.

Financial risk management

The Group's approach to capital management is shown in note 24 of the financial statements. The Group's exposure and approach to liquidity, credit, interest rate and foreign currency risk is shown in note 23 of the financial statements. Our approach to risk management generally and our principal risks can be found in the Strategic report on pages 50 to 53.

Political donations

No political donations were made in the year, in line with our corporate policy.

Directors and their interests

A list of Directors, their interests in the ordinary share capital of the Company, their interests in its long-term performance share plan and details of their options over the ordinary share capital of the Company are given in the Directors' remuneration report on pages 63 to 77. No Director had a material interest in any significant contract, other than a service contract or contract for services, with the Company or any of its operating companies at any time during the year.

Directors' report continued

Significant shareholdings

At 31 December 2020, the Company had been notified, in accordance with the Disclosure Guidance and Transparency Rules, of the following interests in its ordinary share capital*:

Name	Shares	%
Franklin Templeton	5,829,171	7.87
Liontrust Asset Management	4,440,282	6.00
Octopus Investments	3,654,566	4.93
P.E.Q. Holdings Limited**	3,500,736	4.73
Andrew Day	3,296,573	4.45
T Rowe Price Global Investments	3,083,453	4.16
Capital Group	2,910,794	3.93
Aberdeen Standard Investments	2,464,855	3.33
TimesSquare Capital Management	2,290,636	3.09

* As recorded on the Company's share register.

** Giorgio Guastalla has a 90% holding in P.E.Q. Holdings Limited.

Future developments

Important events since the financial year end are described in note 29 of the financial statements, the Chief Executive Officer's review on page 17, the service line review on pages 27 to 31 and the Financial and operating overview on page 49. Future developments are described in the Strategy section of the Strategic report on pages 22 and 23.

Disclosures concerning emissions

The disclosures relating to emissions are set out in the Responsible Business report on page 41.

People and organisation

Keywords is, and always has been, dependent on the quality and commitment of its entire staff to provide and maintain the high levels of services expected by the Group's customers.

Keywords' average number of employees was 8,353 during 2020. This permanent headcount is supplemented with staff on short-term contracts as activity changes throughout the year.

Employment policy

Keywords has a range of employment policies covering such issues as diversity, employee wellbeing and equal opportunities. The Group continues to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular skills and experience. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group including making reasonable adjustments where required. In the event of any colleague becoming disabled during their career at Keywords, every effort is made by the Group to ensure their continued employment and engagement with the business.

Employee involvement

The Group provides employees with information on matters of concern to them so that their views can be taken into account when making decisions that are likely to affect their interests. A summary of the methods we use to engage with our employees are provided in the Our people, our culture section of the Annual Report on pages 32 to 35, the Responsible Business report on pages 36 to 44 and the Section 172(1) statement on pages 44 and 45. Approximately 10% of the workforce participate in the Employee Share Option Plan (see page 68). We continue to review options to expand participation in employee share schemes.

Corporate responsibility

Keywords seeks to be a socially responsible Group which has a positive impact on the communities in which it operates. By the nature of the business, we employ a diverse workforce, with many nationalities. No discrimination is tolerated and we endeavour to give all employees the opportunity to develop their capabilities. We provide an excellent working environment, the latest technology and appropriate training. Further details are provided in the Responsible Business report on pages 36 to 45.

Website publication

The Directors are responsible for ensuring the Annual Report and financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

By order of the Board

Jon Hauck
Chief Financial Officer

24 March 2021

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and financial statements.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the Group and Company financial statements respectively; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors as at the date of this report, whose names and functions are listed in the Board of Directors section on pages 54 and 55, confirm that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he or she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Website publication

The Directors are responsible for ensuring the Annual Report and financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

By order of the Board

Jon Hauck
Chief Financial Officer

24 March 2021

Independent auditor's report to the members of Keywords Studios plc

Opinion
We have audited the financial statements of Keywords Studios plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Cash Flows, the Group and Parent Company Statements of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors assessment of the Company's ability to continue to adopt the going concern basis of accounting in the preparation of the financial statements included:

- We considered as part of our risk assessment the nature of the company, its business model and related risks including, where relevant, the impact of the Covid-19 pandemic, the requirements of the applicable financial reporting framework and the system of internal control.
- We have reviewed the Directors' assessment of the Group and Company's ability to continue as a going concern, challenging the underlying data and key assumptions used to make the assessment, and stress tested the directors' plans for future actions in relation to their going concern assessment.
- We have reviewed the historical accuracy of budgeting and forecasts made by the Group and Company as an indicator as to their reliability,
- We have reviewed the performance of the business in the year, including its cash flow performance, liquidity position, and financing facilities, up to and including the date of signing the audit opinion.

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

1 Revenue Recognition – cut off

Key Audit Matter
Although the majority of the Groups revenue contracts are non complex in nature, there is a material accrued revenue balance as at 31 December 2020 of €9.2m (2019: €7.0m). We focused on this area due to the risk of management manipulation of the timing of revenue recognition and the cut off relating to accrued revenue at the year end.

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

Audit Response

We have performed audit procedures to understand the application of the revenue recognition accounting policies and to assess whether for each material revenue stream, that revenue has been recognised correctly in accordance with the Group Revenue Recognition policy. We have completed a substantive based audit approach across all full scope locations and completed specific audit procedures on a sample basis on less significant components of the group.

Our audit work included, but was not restricted to, reviewing a sample of transactions both throughout the year and around the year end, to assess that the stage of completion and therefore accrued revenue is reflective of the underlying project status. We have tested these transactions to supporting documentation such as sales orders and contracts from customers, project status evidence, and subsequent billing. When examining samples of transactions around the year end we have assessed whether the revenue has been recognised in the correct period.

2 Business Combinations

Key Audit Matter

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

Following the purchase price allocations (in which identifiable assets and liabilities assumed were recognised at fair value), €212m (2019: €176m) of goodwill has been recognised cumulatively to date. The fair value of certain identifiable assets acquired and liabilities assumed in a business combination is different from their carrying amounts in the acquired statements of financial position which can give rise to fair value adjustments as part of the purchase price allocations of these business combinations. Accordingly, the cumulative acquisitions are material and significant judgement is required in relation to the purchase price allocations including the resulting goodwill.

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

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

Related Disclosures

Refer to note 2 of the accompanying consolidated financial statements for the accounting policy in relation to business combinations. In addition, detailed disclosures have been made in relation to the current year business combinations in note 27 to the financial statements.

Audit Response

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

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

Our procedures included;

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

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

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

Independent auditor's report to the members of Keywords Studios plc continued

3 Valuation of goodwill and intangible assets

Key Audit Matter

As a result of both the current year and prior year acquisitions, the group has amassed significant intangible assets and goodwill balances. These balances are material to the financial statements, with goodwill carrying value of €212m (2019: €176m), and intangibles carrying value of €28.8m (2019: €21.1m).

The valuation of goodwill and other intangible assets is significant to our audit due to the fact that the impairment test calculations are based on several key assumptions which are estimated by management, and are by nature judgemental. Key assumptions include the expected future cash flows for the forecasting period, the discount rates and perpetual growth rate.

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

Related Disclosures

Refer to note 2 of the accompanying consolidated financial statements for the accounting policy in relation to business combinations, intangible assets and goodwill. In addition, detailed disclosures have been made in relation to the current year business combinations in note 27 to the financial statements. Detailed disclosures are made in note 11 relating to goodwill and intangible assets.

Audit Response

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

Our procedures included;

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

4 Functional currency

Key Audit Matter

The functional currency of the group is considered a key audit matter due to the fact that there is significant judgment in this area. There are multiple currencies influencing the group, which have been assessed in detail by the Directors. The Directors have concluded that the functional currency remains Euro. This is deemed to be a key judgement area.

Related Disclosures

Please refer to the accounting policy in note 2, and discussion in relation to judgements in note 3.

Audit Response

We have reviewed the Directors assessment of the currencies which are influencing the group, in accordance with the requirements of IAS 21. We have agreed the underlying data used in this analysis to the source information, to ensure that the assessment is being completed on an accurate basis. We have assessed the key indicators and the currencies influencing each. In addition, we have reviewed the disclosures in relation to the judgements applied in this area, as set out in note 3.

We have concluded that while there are mixed indicators in relation to the functional currency of the group, the conclusion reached by the Directors that Euro remains the functional currency, and the disclosures in this area, are reasonable.

Our application of materiality

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

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

We determined materiality for the financial statements as a whole to be €3m, which represents 9% of profit before taxation and represents less than 2% of equity. We consider profit before income tax to be the most significant determinant of the group's financial performance used by shareholders and other users and therefore consider this as an appropriate basis for materiality. Our materiality is higher than the level we set for the year ended 31 December 2019 (€1.75m), due to the increased profits of the group.

We assessed the parent company's materiality using a % of net assets as the most appropriate benchmark as the parent company does not trade. However we capped this at the equivalent of group materiality being the lower of the thresholds in both the current and prior year.

Whilst materiality for the financial statements as a whole was €3m, each component of the group was audited to a lower level of materiality within a range from €2.1m to €1.8m. Audits of these components were performed at a materiality level calculated by reference to a proportion of group materiality appropriate to the relative scale of the business concerned.

We agreed with the Audit Committee that we would report to the Committee all individual differences identified during the course of our audit in excess of €150,000 (2019: €87,500). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group and its environment, including the group wide controls, and assessing the risks of material misstatement identified at group level. The Group has operations in 21 countries, and 84 wholly owned subsidiary entities.

Based on our assessment, we have completed full scope audit procedures in relation to the following entities; Keywords Studios plc, Keywords International Limited, Sperasoft Studios LLC, Cord Worldwide Limited, Studio Gobo Limited, Electric Square Limited, Keywords Studios QC-Games Inc (formerly Babel Games Services Inc), Keywords France, Keywords China, Sperasoft Inc, D3T and Keywords Studios Italia S.R.L (formerly Binari Sonori S.R.L & Sillabit S.R.L).

In addition, specific audit procedures have been completed in relation to certain material balances and transaction streams in VMC Embedded Services, Keywords Canada Holdings Inc (formerly Volt Canada Inc), Keywords Studios QC-Tech Inc (formerly Alchemic Dream Inc), and Keywords Studios Japan.

The above entities represent 73% of group revenues. Analytical review procedures have been performed on the remaining non-significant components in the group.

The Group auditor, BDO Dublin, has audited Keywords Studios plc, Keywords International Limited, Cord Worldwide Limited, Studio Gobo Limited, Electric Square Limited and D3T. Their involvement in the work performed by other component auditors varies by location and involves, at a minimum, direction of the audit procedures to be completed, and review of the reports received in relation to the results of the audit work undertaken by component audit teams.

In the current year, as a result of current travel restrictions, the Senior Statutory auditor or senior members of the Group audit team have completed their oversight and review work of other locations remotely.

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

Other information

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

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

Independent auditor's report to the members of Keywords Studios plc continued

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 81 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

John O'Callaghan (Senior Statutory Auditor)
For and on behalf of BDO, Statutory Auditor
Dublin 2, Ireland

24 March 2021

Consolidated statement of comprehensive income

	Note	Years ended 31 December 2020 €'000	2019 €'000
Revenue from contracts with customers	4	373,538	326,463
Cost of sales	5	(231,766)	(206,234)
Gross profit		141,772	120,229
Investment income	5	1,437	-
Share option expense	17	(15,350)	(9,775)
Costs of acquisition and integration	5	(2,650)	(4,348)
Amortisation and impairment of intangible assets	11	(8,808)	(7,318)
COVID-19 government subsidies claimed	28	9,231	-
Total of items excluded from adjusted profit measures		(17,577)	(21,441)
Other administration expenses		(84,513)	(77,246)
Administrative expenses		(102,090)	(98,687)
Operating profit		41,119	21,542
Financing income	6	76	74
Financing cost	6	(8,701)	(4,245)
Profit before taxation		32,494	17,371
Taxation	7	(11,027)	(7,462)
Profit		21,467	9,909
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain/(loss) on defined benefit plans	19	(421)	(167)
Items that may be reclassified subsequently to profit or loss			
Exchange gain/(loss) in net investment in foreign operations		(4,909)	1,267
Exchange gain/(loss) on translation of foreign operations		(10,843)	5,960
Total comprehensive income/(expense)		5,294	16,969
Profit/(loss) for the period attributable to:			
Owners of the parent		21,552	10,022
Non-controlling interest		(85)	(113)
		21,467	9,909
Total comprehensive income/(expense) attributable to:			
Owners of the parent		5,379	17,082
Non-controlling interest		(85)	(113)
		5,294	16,969

Earnings per share		**€ cent**	**€ cent**
Basic earnings per ordinary share	8	30.32	15.23
Diluted earnings per ordinary share	8	28.71	14.73

The notes from page 94 onwards form an integral part of these consolidated financial statements.

On behalf of the Board

Jon Hauck
Director

Sonia Sedler
Director

24 March 2021

Consolidated statement of financial position

		At 31 December	
	Note	2020 €'000	2019 Restated (note 16) €'000
Non-current assets			
Property, plant and equipment	13	26,419	22,163
Right of use assets	12	27,807	21,469
Intangible assets	11	240,810	196,769
Deferred tax assets	22	14,649	5,060
		309,685	245,461
Current assets			
Trade receivables	14	47,832	43,243
Other receivables	15	38,665	35,413
Cash and cash equivalents		103,070	41,827
		189,567	120,483
Current liabilities			
Trade payables		8,170	8,027
Other payables	18	62,958	38,712
Loans and borrowings	20	73	80
Corporation tax liabilities		12,568	2,732
Lease liabilities	21	7,361	7,741
		91,130	57,292
Net current assets/(liabilities)		98,437	63,191
Non-current liabilities			
Other payables	18	1,994	285
Employee defined benefit plans	19	2,693	2,049
Loans and borrowings	20	122	59,671
Deferred tax liabilities	22	10,575	9,523
Lease liabilities	21	21,503	14,166
		36,887	85,694
Net assets		371,235	222,958
Equity			
Share capital	16	879	780
Share capital – to be issued	16	13,047	5,310
Share premium	16	22,951	20,718
Merger reserve	16	250,276	132,712
Foreign exchange reserve		(9,988)	5,764
Shares held in Employee Benefit Trust ("EBT")		(1,997)	(1,997)
Share option reserve		31,799	16,449
Retained earnings		64,318	43,187
		371,285	222,923
Non-controlling interest		(50)	35
Total equity		371,235	222,958

The notes from page 94 onwards form an integral part of these consolidated financial statements. The financial statements were approved and authorised for issue by the Board on 24 March 2021.

On behalf of the Board

Jon Hauck
Director

Sonia Sedler
Director

24 March 2021

Consolidated statement of changes in equity

	Share capital €'000	Share capital – to be issued €'000	Share premium €'000	Merger reserve €'000	Foreign exchange reserve €'000	Shares held in EBT €'000	Share option reserve €'000	Retained earnings €'000	Total attributable to owners of parent €'000	Non-controlling interest €'000	Total equity €'000
At 01 January 2019	763	15,648	102,225	35,996	(1,463)	(1,997)	6,674	34,529	192,375	–	192,375
Reclassification of Share premium within Reserves (note 16)	–	–	(82,261)	82,261	–	–	–	–	–	–	–
At 01 January 2019 (restated)	763	15,648	19,964	118,257	(1,463)	(1,997)	6,674	34,529	192,375	–	192,375
Profit/(loss) for the period	–	–	–	–	–	–	–	10,022	10,022	(113)	9,909
Other comprehensive income	–	–	–	–	7,227	–	–	(167)	7,060	–	7,060
Total comprehensive income for the period	–	–	–	–	7,227	–	–	9,855	17,082	(113)	16,969
Contributions by and contributions to the owners:											
Share option expense	–	–	–	–	–	–	9,775	–	9,775	–	9,775
Share options exercised	7	–	754	–	–	–	–	–	761	–	761
Dividends	–	–	–	–	–	–	–	(1,197)	(1,197)	–	(1,197)
Acquisition related issuance of shares	10	(10,338)	–	14,455	–	–	–	–	4,127	–	4,127
Net assets on acquisition of Appsectest	–	–	–	–	–	–	–	–	–	148	148
Contributions by and contributions to the owners	17	(10,338)	754	14,455	–	–	9,775	(1,197)	13,466	148	13,614
At 31 December 2019 (restated)	780	5,310	20,718	132,712	5,764	(1,997)	16,449	43,187	222,923	35	222,958
Profit/(loss) for the period	–	–	–	–	–	–	–	21,552	21,552	(85)	21,467
Other comprehensive income	–	–	–	–	(15,752)	–	–	(421)	(16,173)	–	(16,173)
Total comprehensive income for the period	–	–	–	–	(15,752)	–	–	21,131	5,379	(85)	5,294
Contributions by and contributions to the owners:											
Shares issued for cash	77	–	–	109,372	–	–	–	–	109,449	–	109,449
Share option expense	–	–	–	–	–	–	15,350	–	15,350	–	15,350
Share options exercised	16	–	2,233	–	–	–	–	–	2,249	–	2,249
Acquisition related issuance of shares	6	7,737	–	8,192	–	–	–	–	15,935	–	15,935
Contributions by and contributions to the owners	99	7,737	2,233	117,564	–	–	15,350	–	142,983	–	142,983
At 31 December 2020	879	13,047	22,951	250,276	(9,988)	(1,997)	31,799	64,318	371,285	(50)	371,235

Consolidated statement of cash flows

	Note	Years ended 31 December 2020 €'000	2019 €'000
Cash flows from operating activities			
Profit after tax		21,467	9,909
Income and expenses not affecting operating cash flows			
Depreciation – property, plant and equipment	13	8,983	7,295
Depreciation – right of use assets	12	8,402	7,849
Amortisation and impairment of intangible assets	11	8,808	7,318
Taxation	7	11,027	7,462
Share option expense	17	15,350	9,775
Fair value adjustments to contingent consideration	5	(66)	493
Fair value adjustments to right of use assets	12	434	–
Disposal of property, plant and equipment	13	–	200
Unwinding of discounted liabilities – deferred consideration	6	132	330
Unwinding of discounted liabilities – lease liabilities	6	843	694
Interest receivable	6	(76)	(74)
Fair value adjustments to employee defined benefit plans	19	354	504
Interest expense	6	1,071	934
Unrealised foreign exchange (gain)/loss		1,874	(577)
		57,136	42,203
Changes in operating assets and liabilities			
Decrease/(increase) in trade receivables		(4,255)	(4,370)
Decrease/(increase) in MMTC and VGTR receivable		555	(5,913)
Decrease/(increase) in other receivables		(3,902)	(2,162)
(Decrease)/increase in accruals, trade and other payables		9,878	6,402
		2,276	(6,043)
Taxation paid		(4,459)	(13,288)
Net cash generated by/(used in) operating activities		76,420	32,781
Cash flows from investing activities			
Current year acquisition of subsidiaries net of cash acquired	27	(37,447)	(13,051)
Settlement of deferred liabilities on acquisitions	18	(2,489)	(14,711)
Acquisition of property, plant and equipment	13	(13,908)	(13,145)
Investment in intangible assets	11	(259)	(391)
Interest received		76	74
Net cash generated by/(used in) investing activities		(54,027)	(41,224)
Cash flows from financing activities			
Repayment of loans	20	(64,030)	(7,973)
Drawdown of loans	20	4,500	27,000
Payments of principal on lease liabilities		(8,170)	(7,355)
Interest paid on principal of lease liabilities	6	(843)	(694)
Dividends paid		–	(1,197)
Shares issued for cash*	16	111,698	761
Interest paid		(879)	(1,436)
Net cash generated by/(used in) financing activities		42,276	9,106
Increase/(decrease) in cash and cash equivalents		64,669	663
Exchange gain/(loss) on cash and cash equivalents		(3,426)	1,293
Cash and cash equivalents at beginning of the period		41,827	39,871
Cash and cash equivalents at end of the period		103,070	41,827

* Please note Shares issued for cash includes net proceeds of €109.5m related to the share placing in May 2020 (see note 16), being gross proceeds of €111.7m (£100m) less transaction costs of €2.2m (£2m).

Company statement of financial position

	Note	At 31 December 2020 €'000	2019 Restated (note 16) €'000
Non-current assets			
Property, plant and equipment	13	317	357
Investment in subsidiaries	25	30,670	30,670
Other receivables	15	258,536	208,352
Right of use assets	12	389	619
Deferred tax assets		379	–
		290,291	239,998
Current assets			
Other receivables	15	5,821	16,096
Cash and cash equivalents		30,696	599
		36,517	16,695
Current liabilities			
Trade payables		61	139
Other payables	18	9,979	11,298
Lease liabilities	21	197	204
		10,237	11,641
Net current assets/(liabilities)		26,280	5,054
Non-current liabilities			
Other payables	18	–	5,561
Loans and borrowings	20	–	59,500
Lease liabilities	21	202	422
		202	65,483
Net Assets		316,369	179,569
Equity			
Share capital	16	879	780
Share capital – to be issued	16	13,047	5,310
Share premium	16	22,951	20,718
Merger reserve		255,957	138,393
Shares held in Employee Benefit Trust ("EBT")	16	(1,997)	(1,997)
Share option reserve		31,799	16,449
Retained earnings		(6,267)	(84)
Total equity		316,369	179,569

In accordance with Companies Act 2006, the Company is availing of the exemption from presenting its individual Statement of comprehensive income to the Annual General Meeting and from filing it with Companies House. The amount of loss after tax dealt with in the parent undertaking is €6,183k (2019: profit of €3,651k).

The notes from page 94 onwards form an integral part of these consolidated financial statements. The financial statements were approved and authorised for issue by the Board on 24 March 2021.

On behalf of the Board

Jon Hauck
Director

Sonia Sedler
Director

24 March 2021

Company statement of changes in equity

	Share capital €'000	Share capital – to be issued €'000	Share premium €'000	Merger reserve €'000	Shares held in EBT €'000	Share option reserve €'000	Retained earnings €'000	Total equity €'000
At 01 January 2019	763	15,648	102,225	41,677	(1,997)	6,674	(2,538)	162,452
Reclassification of Share premium within Reserves (note 16)	–	–	(82,261)	82,261	–	–	–	–
At 01 January 2019 (restated)	763	15,648	19,964	123,938	(1,997)	6,674	(2,538)	162,452
Profit for the period	–	–	–	–	–	–	3,651	3,651
Total comprehensive income for the period	–	–	–	–	–	–	3,651	3,651
Contributions by and contributions to the owners:								
Share option expense	–	–	–	–	–	9,775	–	9,775
Share options exercised	7	–	754	–	–	–	–	761
Dividends	–	–	–	–	–	–	(1,197)	(1,197)
Acquisition related issuance of shares	10	(10,338)	–	14,455	–	–	–	4,127
Contributions by and contributions to the owners	17	(10,338)	754	14,455	–	9,775	(1,197)	13,466
At 31 December 2019 (restated)	780	5,310	20,718	138,393	(1,997)	16,449	(84)	179,569
Profit for the period	–	–	–	–	–	–	(6,183)	(6,183)
Total comprehensive income for the period	–	–	–	–	–	–	(6,183)	(6,183)
Contributions by and contributions to the owners:								
Shares issued for cash	77	–	–	109,372	–	–	–	109,449
Share option expense	–	–	–	–	–	15,350	–	15,350
Share options exercised	16	–	2,233	–	–	–	–	2,249
Acquisition related issuance of shares	6	7,737	–	8,192	–	–	–	15,935
Contributions by and contributions to the owners	99	7,737	2,233	117,564	–	15,350	–	142,983
At 31 December 2020	879	13,047	22,951	255,957	(1,997)	31,799	(6,267)	316,369

Company statement of cash flows

	Note	Years ended 31 December 2020 €'000	2019 €'000
Cash flows from operating activities			
Profit/(loss) after tax		(6,183)	3,651
Income and expenses not affecting operating cash flows			
Share option expense		621	693
Interest receivable		(6)	(1)
Interest expense		946	984
Depreciation – property, plant and equipment	13	47	45
Depreciation – right of use assets	12	200	200
Amounts written off financial assets		–	92
		1,808	2,013
Changes in operating assets and liabilities			
(Increase)/decrease in other receivables		29,329	(17,200)
Increase/(decrease) in trade and other payables		(6,944)	10,641
		22,385	(6,559)
Taxation paid		–	–
Net cash generated by/(used in) operating activities		18,010	(895)
Cash flows from investing activities			
Funding advanced to subsidiaries^		(39,142)	(16,368)
Acquisition of property, plant and equipment	13	(7)	(13)
Interest received		6	1
Net cash generated by/(used in) investing activities		(39,143)	(16,380)
Cash flows from financing activities			
Repayment of loans	20	(64,000)	(7,500)
Loan to finance acquisitions	20	4,500	27,000
Payments of principal on lease liability		(194)	(192)
Interest paid on principal of lease liability		(12)	(16)
Dividends paid	9	–	(1,197)
Shares issued for cash*	16	111,698	761
Interest paid		(762)	(1,420)
Net cash generated by/(used in) financing activities		51,230	17,436
Increase/(decrease) in cash and cash equivalents		30,097	161
Cash and cash equivalents at beginning of the period		599	438
Cash and cash equivalents at end of the period		30,696	599

^ Please note Funding advanced to subsidiaries has been re-designated to Cash flows from investing activities, as the Directors consider this to be more appropriate.

* Please also note Shares issued for cash includes net proceeds of €109.5m related to the share placing in May 2020 (see note 16), being gross proceeds of €111.7m (£100m) less transaction costs of €2.2m (£2m).

Notes forming part of the consolidated and company financial statements

1 Basis of Preparation

Keywords Studios PLC (the "Company") is a company incorporated in the UK. The consolidated financial statements include the financial statements of the Company and its subsidiaries (the "Group") made up to 31 December 2020. 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 the Group.

The consolidated and Company financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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.

Please note there has been an amendment to the previous year reserves to reclassify certain reserves within Share premium to Merger reserve, as outlined in note 16.

Going Concern Basis of Accounting

After making enquiries, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the consolidated and company financial statements. In doing so, the Directors have considered the uncertain nature of the current COVID-19 pandemic, but have noted:

- the strong cash flow performance of the Group through the year;
- the continued demand for the Group's services;
- the ability to operate most of its services in a work from home model where studios are temporarily closed;
- the historical resilience of the broader video games industry in times of economic downturn; and,
- the ability of the Group to flex its cost base in response to a reduction in trading activity.

The Directors have also considered the Group's strong liquidity position with net cash of €102.9m as at 31 December 2020, and committed undrawn facilities of €100m under the Revolving Credit Facility ("RCF").

The Directors have applied downside sensitivities to the Group's cash flow projections to evaluate the Group's ability to withstand a further prolonged period of studio closures as a result of the COVID-19 pandemic, leading to a reduction in production capability. Under this severe case the Group would have sufficient liquidity and remain within its banking covenants. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue to operate and meet liabilities as they fall due for the foreseeable future, a period considered to be at least 12 months from the date of these financial statements and therefore the going concern basis of preparation continues to be appropriate.

New Standards, Interpretations and Amendments effective 1 January 2020

A number of new amendments and interpretations to accounting standards are effective from 1 January 2020 including:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7

These amendments and interpretations would not have resulted in the accounting applied by the Group changing and would not have had a material effect on the Group's financial statements.

On 28 May 2020, the IASB issued amendments to IFRS 16: COVID-19 Related Rent Concessions. These amendments introduce a practical expedient available to lessees in accounting for rent concessions (e.g. rent holidays and deferrals of lease payments) that are a direct consequence of the COVID-19 pandemic and that satisfy certain other criteria. As the relevant topics have not had a material impact on the Group's financial statements, the Group has not availed of these practical expedients.

Other accounting pronouncements which have become effective from 1 January 2020 have not had a material impact on the Group.

New Standards, Interpretations and Amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group.

2 Significant Accounting Policies

Basis of Consolidation

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

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

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

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

Business Combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Consolidated Statement of Financial Position, the acquired identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained. They are consolidated 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. The fair value of contingent consideration at acquisition date is arrived at through discounting the expected payment (based on scenario modelling) to present value. In general, in order for contingent consideration to become payable, pre-defined profit and/or revenue targets must be exceeded. At each balance sheet date, the fair value of the contingent consideration is revalued, with the expected pay-out determined separately in respect of each individual acquisition and any change recognised in the 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 classified as an equity arrangement and the value of the shares is fixed at the date of the acquisition. Deferred consideration may also be in the form of cash consideration payable at a future defined date. Such consideration is recognised at fair value at the acquisition date and is split between current liabilities and non-current liabilities depending on when it is due.

Intangible Assets

The Group's Intangible Assets comprise Goodwill, Customer Relationships and Other Intangible Assets.

Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired. The cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included at fair value on the acquisition date and, in the case of contingent consideration classified as a financial liability, re-measured subsequently through the profit and loss. Acquisition-related costs are recognised immediately as an expense in the periods in which the costs are incurred and the services are received. Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income.

Customer Relationships

Intangible assets, separately identified from goodwill acquired as part of a business combination (mainly Customer Relationships), are initially stated at fair value. The fair value attributed is determined by discounting the expected future cash flows generated from the net margin of the business from the main customers taken on at acquisition. The assets are amortised on a straight-line basis (to administration expenses) over their useful economic lives (typically five years is deemed appropriate, however, this is re-examined for each acquisition).

Notes forming part of the consolidated and company financial statements continued

2 Significant Accounting Policies continued

Other Intangible Assets

Other intangible assets include Intellectual Property and Music Licences, both acquired and internally developed. Other intangible assets are recognised as assets where it is probable that the use of the asset will generate future economic benefits and where the costs of the asset can be determined reliably. Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses, if any. Subsequent expenditures on capitalised intangible assets are capitalised only when they increase the future economic benefits embodied in the specific assets to which they relate. All other expenditure is expensed as incurred. Other intangible assets with definite useful lives are amortised from the date they are available for use on a straight-line basis over their useful lives, being the estimated period over which the Group will use the assets. Residual amounts, useful lives and the amortisation methods are reviewed at the end of every accounting period.

Development costs are capitalised as an intangible asset if all of the following criteria are met:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- The asset will generate probable future economic benefits and demonstrate the existence of a market or the usefulness of the intangible asset if it is to be used internally;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell it;
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following initial recognition of the development expenditure as an intangible asset, the cost model is applied requiring the intangible asset to be carried at cost, less any accumulated amortisation and accumulated impairment losses. The intangible asset is amortised on a straight-line basis over the period of its expected benefit, starting from the date of full commercial use of the product. During the period of development, the asset is tested for impairment annually. If specific events indicate that impairment of an item of intangible asset may have taken place, the item's recoverability is assessed by comparing its carrying amount with its recoverable amount. The recoverable amount is the higher of the fair value net of disposal costs and the value in use.

Impairment

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

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

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

Cash and Cash Equivalents

For the purpose of presentation in the Statements of financial position and on the Statements of cash flows, cash and cash equivalents include cash on hand and on call deposits with financial institutions.

Foreign Currency

The Consolidated Financial Statements are presented in Euro, which is the presentation currency of the Group and the functional currency of the Parent Company.

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

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

Revenue from Contracts with Customers

Contracts are typically for services, performing agreed-upon tasks for a customer and can be time-and-materials or milestone based. Most contracts are short term in duration (generally less than one month), however milestone based contracts can be longer term and extend to several months (or in some cases over a year). Where there are multiple performance obligations outlined in a contract, each performance obligation is separately assessed, the transaction price is allocated to each obligation, and related revenues are recognised as services or assets are transferred to the customer. Performance obligations are typically satisfied over time, as the majority of contracts meet the criteria outlined in IFRS 15 paragraph 35 (a) and (c).

Due to the nature of the services provided and the competitive nature of the market, contracts generally allocate specific transaction prices to separate performance obligations. Individual services or individual milestones generally involve extensive commercial negotiation to arrive at the specific agreed-upon tasks, and the related pricing outlined in the contract. Such negotiations extend further for milestone based contracts to also include the criteria involved in the periodic and regular process of milestone acceptance by the customer. Such criteria may involve qualitative, as well as quantitative measures and judgements.

In measuring progress towards complete satisfaction of performance obligations, the input method is considered to be the most appropriate method to depict the underlying nature of the contracts with customers, the interactive way the service is delivered and projects are managed with the customer. For time-and-materials contracts, other than tracking and valuing time expended, significant judgement is not normally involved. For milestone based contracts, progress is generally measured based on the proportion of contract costs incurred at the balance sheet date, (e.g. worked days) relative to the total estimated costs of the contract, involving estimates of the cost to completion etc. Added to this significant judgement can be involved in measuring progress towards customer acceptance of the milestone. Significant judgement may also be involved where circumstances arise that may change the original estimates of revenues, costs or extent of progress towards complete satisfaction of the performance obligations. In such circumstances estimates are revised. These revisions may result in increases or decreases in revenue or costs and are reflected in income in the period in which the circumstances that give rise to the revision became known. When the outcome of a contract cannot be measured reliably, contract revenue is recognised only to the extent that milestones have been accepted by the customer. Contract costs are recognised as incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately.

Revenue recognised represents the consideration received or receivable, net of sales taxes, rebates discounts and after eliminating intercompany sales. Revenue is recognised only where it is probable that consideration will be received. Where consideration is received and the related revenue has not been recognised, the consideration received is recognised as a contract liability (Deferred Revenue), until either revenue is recognised or the consideration is refunded.

Revenue is derived from seven main service groupings:

- Art Creation & Marketing – Art Creation & Marketing services relate to the production of graphical art assets for inclusion in the video game including concept art creation along with 2D and 3D art asset production and animation. Contracts can be either time-and-materials based or milestone based, with performance obligations satisfied over time. Contracts are generally short term in duration, however for longer term contracts the input method is used to measure progress (e.g. worked days relative to the total expected inputs). Time and materials based contract revenue is recognised as the related services are rendered. For milestone based contracts where progress can be measured reliably towards complete satisfaction of the performance obligation, revenue is recognised using the input method to measure progress. Where progress cannot be measured reliably, revenue is recognised on milestone acceptance.
- Game Development – Game Development relates to software engineering services which are integrated with client processes to develop video games. Contracts can be either time-and-materials based or milestone based, with performance obligations satisfied over time. Contracts are generally longer term in duration. Time and materials based contract revenue is recognised as the related services are rendered. For milestone based contracts where progress can be measured reliably towards complete satisfaction of the performance obligation, revenue is recognised using the input method to measure progress. Where progress cannot be measured reliably, revenue is recognised on milestone acceptance.
- Audio – Audio services relate to the audio production process for computer games and includes script translation, actor selection and talent management through pre-production, audio direction, recording, and post-production, including native language quality assurance of the recordings. Audio contracts may also involve music licensing or selling music soundtracks. Audio service contracts are typically milestone based, with performance obligations satisfied over time. Audio services contracts are generally short term in duration, however for longer term contracts where progress towards complete satisfaction of the performance obligation can be measured reliably, revenue is recognised using the input method to measure progress. Where progress cannot be measured reliably, audio services revenue is recognised on milestone acceptance. Music licensing and music soundtracks performance obligations are assessed separately, and related revenue is recognised on licence inception and on delivery of the soundtracks, respectively.
- Functional Testing – Functional Testing relates to quality assurance services provided to game producers to ensure games function as required. Contracts are typically time-and-materials based and performance obligations are satisfied over time. Contracts are generally short term in duration, however for longer term contracts the input method is used to measure progress. Revenue is recognised as the related services are rendered.
- Localization – Localization services relate to translation and cultural adaptation of in-game text and audio scripts across multiple game platforms and genres. Contracts are typically time-and-materials based and performance obligations are satisfied over time. Contracts are generally short term in duration, however for longer contracts the input method is used to measure progress. Localization contracts may also involve licensing translation software as a service. Such revenue is assessed separately. Revenue is recognised as the related services are rendered.

Notes forming part of the consolidated and company financial statements continued

2 Significant Accounting Policies continued

Revenue from Contracts with Customers continued

- Localization Testing – Localization Testing involves testing the linguistic correctness and cultural acceptability of computer games. Contracts are typically time-and-materials based and performance obligations are satisfied over time. Contracts are generally short term in duration, however for longer term contracts the input method is used to measure progress. Revenue is recognised as the related services are rendered.
- Player Support – Player Support relates to the live operations support services such as community management, player support and associated services provided to producers of games to ensure that consumers have a positive user experience. Contracts are typically time-and-materials based and performance obligations are satisfied over time. Contracts are generally long term with the input method used to measure progress. Revenue is recognised as the related services are rendered.

Multimedia Tax Credits/Video Game Tax Relief

The multimedia tax credits ("MMTC") received in Canada and video games tax relief ("VGTR") in the UK, are a tax credit related to staff costs. Tax credits are recognised as income over the periods necessary to match the credit on a systematic basis with the costs that it is intended to compensate. Thus credits are taken as a deduction against direct costs each period, but typically paid in the following financial year once the claims have been submitted and agreed. The nature of the grants is such that they are not dependent on taxable profits, and are recognised (under IAS 20), at their fair value when there is a reasonable assurance that the grant will be received and all attaching conditions have been complied with.

Government Subsidies

Government subsidies are recognised at their fair value when there is a reasonable assurance that the subsidy will be received and all attaching conditions have been complied with. Subsidies are recognised in the period the subsidy is designated to compensate.

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. Other than continuous service, grants do not have non-market-based vesting conditions. At each reporting date the Company adjusts for unvested forfeitures and the impact is recognised in profit or loss, with a corresponding adjustment to equity reserves. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

Where share-based payments are issued to employees of subsidiary companies, the annual cost of the options are recharged to the subsidiary company through an inter-company re-charge.

Share Option Plan

These are measured at fair value on the grant date using a Black-Scholes option pricing model which calculates the fair value of an option by using the vesting period, the expected volatility of the share price, the current share price, the exercise price and the risk-free interest rate. The fair value of the option is amortised over the vesting period, with one-third of the options vesting after two years, one-third after three years, and the balance vesting after four years. The only vesting condition is continuous service. There is no requirement to revalue the option at any subsequent date.

LTIP

The exercise of LTIP awards are subject to the Company's share price (stock symbol: KWS) performance versus the designated Share Index in terms of shareholder return over a three-year period. For the awards granted up to 2015, one-third of the share options vested if the Company exceeded the Total Shareholder Returns ("TSR") of the Numis Small Cap Index (excluding Investment Trusts) by 10%, two-thirds if the TSR exceeded the Index by 20% and full vesting if the TSR exceeded the Index by 30%. This was amended for the 2016 and 2017 awards to 100% vesting if the shareholder return exceeds the Index by 45%, and a pro-rated return between 10% if the TSR matches the Index, to 100% if the TSR exceeds the Index by 45%. The scheme was further amended in 2018 to 100% vesting if the TSR exceeds the Index by 20%, and a pro-rated return between 10% and 100% if the TSR exceeds by between 0% and 20%. In 2019 the benchmark Index was amended for future grants to be the FTSE Small Cap Index, with the same performance conditions as 2018.

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.

Dividend Distribution

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

Income Taxes and Deferred Taxation

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

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

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

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

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

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

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

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

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

Computers and software	3 – 5 years
Office furniture and equipment	10 years
Leasehold improvements	over the length of the lease

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

Financial Assets
The Group's most significant financial assets comprise trade and other receivables and cash and cash equivalents in the Consolidated statement of financial position, whereas the Company's most significant financial assets comprise inter-group receivables.

Trade Receivables
Trade receivables, which principally represent amounts due from customers, are recognised at amortised cost as they meet the IFRS 9 classification test of being held to collect, and the cash flow characteristics represent solely payments of principal and interest.

The Group's impairment methodology is in line with the requirements of IFRS 9. The simplified approach to providing for expected credit losses has been applied to trade receivables, which requires the use of a lifetime expected loss provision.

Intercompany Receivables
Intercompany receivables are recognised at amortised cost as they meet the IFRS 9 classification test of being held to collect, and the cash flow characteristics represent solely payments of principal and interest.

The Group applies the general approach to applying the expected credit losses to its related party loans. Under the General Approach, at each reporting date, the Group determines whether there has been a Significant Increase in Credit Risk (SICR) since initial recognition and whether any balances are credit impaired. This determines the amount, if any, of expected credit losses to be recognised.

Cash and Cash Equivalents
Cash and cash equivalents are held to meet 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.

Accrued Income from Contracts with Customers
Accrued income from contracts with customers, arising from Revenue from Contracts with Customers, is recognised in accordance with our Revenue Recognition policy, as discussed separately in this note. The Group applies the simplified approach to assessing expected credit losses in relation to such assets, as their maturities are less than 12 months. Based upon the recoverability of contract assets at year end, no significant expected credit loss provision has been applied.

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

Financial Liabilities
Contingent consideration is initially recognised at fair value and subsequently re-measured through the profit and loss. Trade payables, bank borrowings and other monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Notes forming part of the consolidated and company financial statements continued

2 Significant Accounting Policies continued

Leased Assets

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

At lease commencement date, the Group recognises a right of use asset and a lease liability on the balance sheet. The right of use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right of use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The Group also assesses the right of use asset for impairment when such indicators exist. At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or at the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from purchase and extension options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right of use asset, or profit and loss if the right of use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right of use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The Group has applied judgement to determine the lease term for contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the lease liabilities and right of use assets recognised.

Employee Benefit Trust

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

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

3 Critical Accounting Estimates and Judgements

Judgements

The judgements, apart from those involving estimations, that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements, are outlined below.

- **Group**
  - **Functional Currency**: The Directors have considered the requirements of IAS 21 in determining the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions to determine the Group's functional currency. Detailed consideration has been given to both the Primary and Secondary Indicators in forming this conclusion. The Primary Indicators relate to revenues, regulation, competitive forces and costs, while the Secondary Indicators are primarily concerned with financing the business and the currency in which receipts from operating activities are usually retained. With a mix of currencies dominating the indicators, there is no clear single currency that influences the Group, however the EUR remains marginally the most dominant when all factors are considered. Therefore the Directors consider the EUR as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.
  - **Business Combinations**: When acquiring a business, the Group is required to identify and recognise intangible assets, the determination of which requires a significant degree of judgement. Acquisitions may also result in intangible benefits being brought into the Group, some of which qualify for recognition as intangible assets while other such benefits do not meet the recognition requirements of IFRS and therefore form part of goodwill. Customer relationships are recognised as separate assets where revenues are recurring in nature and material revenues have been generated with the customer for a continuous period of 3 years. For the Game Development service line, the key asset acquired is typically "know-how", an asset that is not readily measurable and thus intrinsically linked to goodwill. Relationships are typically short term contract based rather than relationship based. Therefore neither customer contracts nor customer relationships are typically recognised on the acquisition of a Game Development business.
  - **IFRS 16 Leases**: The Group has determined that the Group's incremental borrowing rate is the appropriate rate to use to discount lease liabilities. The Group has applied judgement to determine the lease term for contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the lease liabilities and right of use assets recognised.
  - **Significant Events and Transactions**: The effects of COVID-19 have required significant judgements and estimates to be made. These issues are considered in note 28 in the context of the impact the pandemic has had on the Group.

- **Company**
  - **Expected Credit Loss Provision on Company Receivables from Subsidiaries**: As outlined in note 26, the Company has significant receivables from subsidiaries primarily related to investments in acquisitions. The Directors have taken into account both the ongoing acquisition integration program and the cash generating capacity of the Group, in concluding (in note 23) that all such loans are recoverable and the expected credit loss provisions are adequate.

Estimates and Assumptions

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

A number of areas requiring the use of estimates and critical judgements impact the Group's earnings and financial position. These include revenue recognition, the computation of income taxes, the value of goodwill and intangible assets arising on acquisitions, the valuation of multimedia tax credits/video game tax relief, leasing and the valuation of defined retirement benefits. The Directors consider that no reasonably possible changes to any of the assumptions used in the estimates would in the view of the Directors give rise to significant risk of a material adjustment to the carrying value of the associated balances in the subsequent financial year.

4 Revenue from Contracts with Customers and Segmental Analysis

Revenue from Contracts with Customers

Revenue recognised in the reporting period arises from contracts with customers, and is predominantly recognised over time. There were no significant amounts of revenue recognised in the reporting period that were included in a contract liability balance at the beginning of the reporting period, or from performance obligations satisfied in the previous reporting period.

Revenue by line of business	2020 €'000	2019 €'000
Art Creation & Marketing	57,324	43,601
Game Development	80,017	66,290
Audio*	47,232	41,856
Functional Testing	78,479	68,930
Localization*	45,357	47,060
Localization Testing	23,323	22,638
Player Support	41,806	36,088
	373,538	326,463

* The prior year comparative has been re-classified to reflect the current year presentation as the Directors consider this to be more meaningful.

Notes forming part of the consolidated and company financial statements continued

4 Revenue from Contracts with Customers and Segmental Analysis continued

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.

Geographical analysis of revenues	2020 €'000	2019 €'000
Ireland	149,185	118,095
United States	62,890	52,265
United Kingdom	56,932	41,768
Canada	37,564	48,112
Switzerland	17,823	19,045
Japan	17,518	15,501
Italy	7,960	9,395
France	6,341	7,606
India	5,171	6,355
Germany	4,973	1,920
Singapore	2,159	1,637
Spain	1,293	1,588
Mexico	1,158	398
Poland	943	1,285
China	857	691
Brazil	771	802
	373,538	326,463

No single customer accounted for more than 10% of the Group's revenue during the year in either year presented.

Revenue Expected to be Recognised

For Game Development, games are developed to an agreed specification and time schedule, and often have delivery schedules and/or milestones that extend well into the future. The following are Game Development revenues expected to be recognised for contracts with a schedule of work that extends beyond one year, representing the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period:

Revenue expected to be recognised	Total undelivered €'000	Scheduled completion within 1 year €'000	Scheduled completion 1-2 years €'000
At 31 December 2020	13,538	12,991	547
At 31 December 2019	24,645	23,593	1,052

For all service lines excluding Game Development, contracts do not extend to more than one year, therefore information concerning unsatisfied performance obligations are not disclosed, as allowed under the practical expedient exemption under IFRS 15. This practical expedient is also availed of for Game Development contracts of less than one year in duration.

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.

There is no allocation of operating expenses, profit measures, assets and liabilities to individual product groupings. Accordingly, the disclosures above 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 Chief Financial Officer.

Geographical analysis of non-current assets from continuing businesses	2020 €'000	2019 €'000
United States	131,405	84,139
United Kingdom	57,611	52,233
Canada	27,094	29,772
Italy	13,480	12,222
Switzerland	10,116	10,644
Ireland	13,514	9,296
China	7,491	8,776
France	7,302	6,725
Spain	5,101	5,924
Germany	5,291	5,250
Japan	5,551	3,905
Philippines	2,110	2,798
India	2,182	2,526
Mexico	1,901	2,164
Poland	1,777	1,563
Brazil	835	1,247
Russia	681	925
Singapore	1,532	225
Netherlands	59	64
Taiwan	3	3
	295,036	240,401

Geographical analysis of non-current assets from continuing businesses	295,036	240,401
Deferred tax assets	14,649	5,060
Non-current assets	309,685	245,461

5 Cost of Sales and Operating Profit

Cost of sales	2020 €'000	2019 €'000
Operating expenses	238,664	213,011
Multimedia tax credits/video game tax relief	(15,593)	(16,063)
Other direct costs	8,695	9,286
	231,766	206,234

Operating profit is stated after charging/(crediting):	2020 €'000	2019 €'000
Depreciation – property, plant and equipment	8,983	7,295
Depreciation – right of use assets	8,402	7,849
Amortisation of intangible assets	8,808	7,318
Costs of acquisition and integration	2,650	4,348
Auditor's remuneration	553	499
Short term leases	1,747	1,616
Investment income	(1,437)	–

Notes forming part of the consolidated and company financial statements continued

5 Cost of Sales and Operating Profit continued

Costs of acquisition and integration	2020 €'000	2019 €'000
Acquisition and integrations costs re: current year acquisitions (note 27)	307	535
Acquisition and integrations costs re: prior acquisitions	743	406
Fair value adjustments to contingent consideration (note 18)	(66)	493
Deferred consideration related to continuing employment	649	567
Acquisition related and other borrowing costs	–	262
Acquisition team and related costs	247	550
Fair value adjustments to right of use assets (note 12)	434	–
Other re-organisation and restructuring costs	336	1,535
	2,650	4,348

Auditor's remuneration	2020 €'000	2019 €'000
Audit services:		
Parent company and Group audit	290	285
Subsidiary companies audit	250	202
Non-audit services:		
Audit related assurance services	13	12
	553	499

Investment income	2020 €'000	2019 €'000
Gain on disposal of investment	(1,437)	–
	(1,437)	–

The Group acquired a minor holding in Hutch Games Limited, when Keywords purchased Liquid Development studio in 2015. During 2020, Hutch Games was acquired and the Group received proceeds of USD$1.7m (€1.4m) in December, and will become entitled to receive further consideration of up to USD$450K over the period 2022 through 2025, subject to earn out targets being met.

6 Financing Income and Cost

	2020 €'000	2019 €'000
Financing income		
Interest received	76	74
	76	74
Financing cost		
Bank charges	(552)	(629)
Interest expense	(1,071)	(934)
Unwinding of discounted liabilities – lease liabilities	(843)	(694)
Unwinding of discounted liabilities – deferred consideration	(132)	(330)
Foreign exchange loss	(6,103)	(1,658)
	(8,701)	(4,245)
Net financing income/(cost)	(8,625)	(4,171)

7 Taxation

	2020 €'000	2019 €'000
Current income tax		
Income tax on profits of parent company	–	(3)
Income tax on profits of subsidiaries	13,899	8,523
Deferred tax (note 22)	(2,872)	(1,058)
	11,027	7,462

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

	2020 €'000	2019 €'000
Profit before tax	32,494	17,371
Tax charge based on the Effective tax rate*	8,071	4,519
Tax settlement regarding a pre-acquisition issue	–	491
Income tax prior year (over)/under provision	(1,302)	(929)
Deferred tax prior year (over)/under provision and impact of change in tax rates	402	(369)
Items disallowed for tax purposes	3,846	4,354
Exempt and non-taxable income	258	(133)
Tax incentives	(892)	(1,524)
Current year tax losses utilised	(3)	(1,176)
Current year tax losses where deferred tax has not been provided	477	1,064
State and other direct taxes	548	1,473
Other differences – net	(378)	(308)
Total tax charge	11,027	7,462
* Effective tax rate – being the statutory tax rate relative to the profit before tax in each jurisdiction	24.8%	26.0%

The Group's subsidiaries are located in different jurisdictions and are taxed on their residual profit in those jurisdictions. The effective tax rate will vary year on year due to the effect of changes in tax rates and changes in the proportion of profits in each jurisdiction.

Tax effects relating to each component of other comprehensive income	2020 €'000	2019 €'000
Exchange gain/(loss) in net investments foreign operations	(4,909)	1,267
Tax (expense)/benefit	614	–
Net of tax amount	(4,295)	1,267
Actuarial gain/(loss) on defined benefit plans	(421)	(167)
Tax (expense)/benefit	–	5
Net of tax amount	(421)	(162)
Exchange gain/(loss) on translation of foreign operations	(10,843)	5,960
Tax (expense)/benefit	–	–
Net of tax amount	(10,843)	5,960

Notes forming part of the consolidated and company financial statements continued

8 Earnings per Share

	2020 € cent	2019 € cent
Basic	30.32	15.23
Diluted	28.71	14.73

Earnings	€'000	€'000
Profit for the period from continuing operations	21,467	9,909

Weighted average number of equity shares	Number	Number
Basic (i)	70,800,455	65,081,403
Diluting impact of Share options (ii)	3,959,878	2,187,083
Diluted (i)	74,760,333	67,268,486

(i) Includes (weighted average) shares to be issued:

	Number	Number
	242,077	510,350

(ii) Contingently issuable Ordinary Shares have been excluded where the conditions governing exercisability have not been satisfied:

	Number	Number
LTIPs	–	2,067,536
Share options	–	1,128,000
	–	3,195,536

Details of the number of share options outstanding at the year-end are set out in note 17.

9 Dividends

Dividends paid	In respect of	Approval date	€ cent per share	Pence STG per share	Total dividend €'000	Payment date
Final	2018	Apr-19	1.21	1.08	773	Jun-19
Interim	2019	Sep-19	0.65	0.58	424	Oct-19
Dividends paid to shareholders 2019			1.86	1.66	1,197	

At 31 December 2020, Retained earnings available for distribution (being retained earnings plus share option reserve) in the Company were €25.5m (2019: €16.4m). In addition, certain amounts within Merger reserve are considered distributable (see note 16).

In light of COVID-19 the Directors have not recommended any dividend payments for 2020, however the Directors do not foresee any impediment in continuing to implement the dividend policy of the Group moving forward.

The Group does not recognise deferred tax on unremitted retained earnings, as in general, retained earnings (as dividends) are only remitted where there are minimal or no tax consequences.

10 Staff Costs

Total staff costs (including Directors)	Group 2020 €'000	Group 2019 €'000	Company 2020 €'000	Company 2019 €'000
Salaries and related costs	198,064	177,156	2,626	1,658
Social welfare costs	21,623	19,340	312	197
Pension costs	5,212	4,662	96	61
Share option expense	15,350	9,775	15,350	9,775
	240,249	210,933	18,384	11,691

Average number of employees	Group 2020	Group 2019	Company 2020	Company 2019
Operations	7,768	6,778	4	–
General and administration*	585	646	22	26
	8,353	7,424	26	26

* In 2020 certain support functions (approximately 80 staff) that are managed by Operations were re-designated to Operations.

Key management compensation	2020 €'000	2019 €'000
Salaries and related costs	1,188	1,384
Social welfare costs	366	140
Pension costs	45	35
Share option expense	1,604	943
	3,203	2,502

The key management compensation includes compensation to seven Directors of Keywords Studios PLC during the year (2019: eight), and also includes additional executives of the Group.

Notes forming part of the consolidated and company financial statements continued

11 Intangible Assets

	Goodwill €'000	Customer relationships €'000	Intellectual property/ Development costs €'000	Music licences €'000	Total €'000
Cost					
At 1 January 2019	154,202	36,713	1,521	436	192,872
Recognition on acquisition of subsidiaries	16,950	–	1,615	–	18,565
Additions	–	–	391	–	391
Exchange rate movement	4,487	907	–	18	5,412
At 31 December 2019	175,639	37,620	3,527	454	217,240
Recognition on acquisition of subsidiaries	47,112	17,673	–	–	64,785
Additions	–	–	259	–	259
Exchange rate movement	(10,587)	(2,870)	13	–	(13,444)
At 31 December 2020	212,164	52,423	3,799	454	268,840
Accumulated amortisation					
At 1 January 2019	–	12,671	–	115	12,786
Amortisation charge	–	7,001	–	317	7,318
Exchange rate movement	–	346	–	21	367
At 31 December 2019	–	20,018	–	453	20,471
Amortisation charge	–	6,421	327	–	6,748
Impairment charge	147	–	1,913	–	2,060
Exchange rate movement	–	(1,261)	11	1	(1,249)
At 31 December 2020	147	25,178	2,251	454	28,030
Net book value					
At 1 January 2020	175,639	17,602	3,527	1	196,769
At 31 December 2020	212,017	27,245	1,548	–	240,810

Customer relationships, intellectual property/development costs and music licences are amortised on a straight-line basis over five years. Customer relationships and music licence amortisation commences on acquisition, whereas intellectual property/development costs amortisation commences when the product is launched.

Impairment tests for goodwill

The Group assesses the carrying value of goodwill each year on the basis of budget projections for the coming year extrapolated using a one to five year growth rate and a terminal value calculated using a long term growth rate projection. The discount rate used of 12.5% (2019: 12.5%) is based on the Board's assessment of the weighted average cost of capital ("WACC") of the Group. The WACC assessment is supported by an annual independently calculated report, using the Capital Asset Pricing Model. However, the Board have excluded the impact of short term market volatility on these calculations in determining the Group WACC.

Key assumptions

	Actual		Sensitivity analysis			
	2020	2019	2020	2019	2020	2019
1 to 5 year growth rate assumption	10%	10%	15%	15%	5%	5%
Long term growth rate assumption	2%	2%	2%	2%	2%	2%
Value in use (€m)	532	469	636	560	452	398
Carrying value – goodwill (€m)	212	176				

The value in use calculations were consistently calculated year over year, with no significant changes in the assumptions made. The result of the value in use calculations was that no impairment is required in this period. The Directors consider that no reasonably probable change in the assumptions would result in an impairment.

Specific impairment reviews

Specific impairment reviews were performed for other intangible asset classes where it was considered COVID-19 had the potential to trigger an impairment. Due to the uncertainty caused by COVID-19 an impairment charge of €2,060k (2019: €nil) was recognised in the period, related to intangible assets in certain early technology pre-revenue businesses, fully impairing their carrying value.

12 Right of Use Assets

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

	Group		Company	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000
Cost				
At 1 January	29,384	–	825	–
Adjustments from adoption of IFRS 16	–	23,138	–	785
Additions	15,035	4,315	–	–
Recognition on acquisition of subsidiaries	2,376	990	–	–
Exchange rate movement	(2,703)	941	(44)	40
At 31 December	44,092	29,384	781	825
Accumulated depreciation				
At 1 January	7,915	–	206	–
Depreciation charge	8,402	7,849	200	200
Impairment charge	434	–	–	–
Exchange rate movement	(466)	66	(14)	6
At 31 December	16,285	7,915	392	206
Net book value				
At 1 January	21,469	–	619	–
At 31 December	27,807	21,469	389	619

Notes forming part of the consolidated and company financial statements continued

13 Property, Plant and Equipment

Group

	Computers and software €'000	Office furniture and equipment €'000	Leasehold improvements €'000	Total €'000
Cost				
At 1 January 2019	18,325	5,407	5,804	29,536
Exchange rate movement	1,042	275	497	1,814
Additions	6,815	1,657	4,673	13,145
Acquisitions through business combinations at fair value	300	232	231	763
Disposals	(1,639)	(824)	(44)	(2,507)
At 31 December 2019	24,843	6,747	11,161	42,751
Exchange rate movement	(2,058)	(155)	(1,339)	(3,552)
Additions	8,338	541	5,029	13,908
Acquisitions through business combinations at fair value	523	125	197	845
Disposals	(2,440)	(352)	(136)	(2,928)
At 31 December 2020	29,206	6,906	14,912	51,024
Accumulated depreciation				
At 1 January 2019	10,361	2,691	1,482	14,534
Exchange rate movement	639	160	267	1,066
Depreciation charge	5,226	703	1,366	7,295
Disposals	(1,501)	(803)	(3)	(2,307)
At 31 December 2019	14,725	2,751	3,112	20,588
Exchange rate movement	(1,378)	35	(695)	(2,038)
Depreciation charge	5,979	868	2,136	8,983
Disposals	(2,440)	(352)	(136)	(2,928)
At 31 December 2020	16,886	3,302	4,417	24,605
Net book value				
At 1 January 2020	10,118	3,996	8,049	22,163
At 31 December 2020	12,320	3,604	10,495	26,419

Company

	Computers and software €'000	Office furniture and equipment €'000	Leasehold improvements €'000	Total €'000
Cost				
At 1 January 2019	4	145	268	417
Additions	1	–	12	13
At 31 December 2019	5	145	280	430
Additions	7	–	–	7
At 31 December 2020	12	145	280	437
Accumulated depreciation				
At 1 January 2019	2	8	18	28
Depreciation charge	1	15	29	45
At 31 December 2019	3	23	47	73
Depreciation charge	2	15	30	47
At 31 December 2020	5	38	77	120
Net book value				
At 1 January 2020	2	122	233	357
At 31 December 2020	7	107	203	317

14 Trade Receivables

Group	2020 €'000	2019 €'000
Trade receivables	49,814	44,526
Provision for bad debts (note 23)	(1,982)	(1,283)
Financial asset held at amortised cost	47,832	43,243

Trade receivables arise from revenues derived from contracts with customers.

Notes forming part of the consolidated and company financial statements continued

15 Other Receivables

Group – Short term	2020 €'000	2019 €'000
Accrued income from contracts with customers	9,202	7,010
Prepayments	4,608	4,089
Rent deposits and other receivables	4,816	3,151
Multimedia tax credits/video games tax relief	16,668	17,626
Tax and social security	3,371	3,537
	38,665	35,413

Company – Short term	2020 €'000	2019 €'000
Intercompany receivables (financial assets held at amortised cost, see note 23)	5,126	15,220
Prepayments	556	702
Other receivables	139	174
	5,821	16,096

Company – Long term	2020 €'000	2019 €'000
Intercompany receivables (financial assets held at amortised cost, see note 23)	258,536	208,352
	258,536	208,352

Accrued income from contracts with customers, represent mainly contract assets in process and related items. The movement in the year is comprised of transfers in and out as items are accrued and subsequently invoiced to customers, with no significant amounts written off or impaired in the period, or no significant amounts recognised on the acquisition of subsidiaries.

16 Shareholders' Equity and Prior Year Restatement of Share Premium to Merger Reserve

Share Capital

	Issue date	Per share €	Number of ordinary £0.01 shares	Number of ordinary £0.01 shares – to be issued	Share capital €'000	Share capital – to be issued €'000	Share premium €'000	Merger reserve €'000
At 01 January 2019 (restated)			63,788,286	923,139	763	15,648	19,964	118,257
Acquisition related issuance of shares:								
Sunny Side Up	04–Jan–19	12.46	–	60,179	–	750	–	–
Sperasoft	16–Jan–19	16.48	243,442	(243,442)	3	(4,013)	–	4,010
Sperasoft re: bonus to employees	16–Jan–19	14.13	7,801	–	–	–	–	110
Fire Without Smoke	04–Jun–19	20.12	77,006	(77,006)	1	(1,549)	–	1,548
Red Hot	06–Jun–19	9.12	160,297	(160,842)	2	(1,468)	–	1,461
Descriptive Video Works	11–Jun–19	17.93	–	35,560	–	638	–	–
Blindlight	26–Jun–19	20.57	64,521	(64,521)	1	(1,327)	–	1,326
Snowed In	12–Aug–19	19.55	37,983	(37,983)	–	(743)	–	743
Studio Gobo and Electric Square	20–Aug–19	19.74	254,949	(254,529)	3	(5,024)	–	5,021
The Trailerfarm	24–Sep–19	21.31	11,070	(11,070)	–	(236)	–	236
TV+SYNCHRON	01–Oct–19	13.12	–	68,608	–	900	–	–
Ichi	26–Nov–19	15.94	–	70,246	–	1,120	–	–
Kantan	12–Dec–19	15.86	–	41,382	–	614	–	–
Acquisition related issuance of shares			857,069	(573,418)	10	(10,338)	–	14,455
Issue of shares on exercise of share options		1.34	567,160	–	7	–	754	–
At 31 December 2019 (restated)			65,212,515	349,721	780	5,310	20,718	132,712
Acquisition related issuance of shares:								
Sunny Side Up	06–Jan–20	12.46	60,179	(60,179)	1	(750)	–	749
Laced	14–Apr–20	17.48	8,194	(8,194)	–	(143)	–	143
Cord Worldwide	14–Apr–20	17.48	65,550	(65,550)	1	(1,145)	–	1,145
Descriptive Video Works	12–Jun–20	17.93	35,560	(35,560)	–	(638)	–	637
Coconut Lizard	25–Jun–20	20.23	–	19,739	–	399	–	–
Studio Gobo and Electric Square	19–Aug–20	16.72	198,576	–	2	–	–	3,319
Maverick Media	26–Aug–20	24.63	–	13,579	–	334	–	–
TV+SYNCHRON	05–Oct–20	13.12	68,608	(68,608)	1	(900)	–	899
Ichi	02–Dec–20	15.95	55,612	(55,612)	1	(886)	–	886
G-Net Media	24–Nov–20	23.26	–	130,448	–	3,034	–	–
Jinglebell	10–Dec–20	25.94	–	11,564	–	300	–	–
High Voltage Software	14–Dec–20	26.06	–	307,597	–	8,017	–	–
Indigo Pearl	15–Dec–20	26.27	–	20,125	–	529	–	–
Kantan	22–Dec–20	15.86	26,085	(26,085)	–	(414)	–	414
Acquisition related issuance of shares			518,364	183,264	6	7,737	–	8,192
Share placing	20–May–20	16.23	6,900,000	–	77	–	–	109,372
Issue of shares on exercise of share options		0.96	1,448,364	–	16	–	2,233	–
At 31 December 2020			74,079,243	532,985	879	13,047	22,951	250,276

Notes forming part of the consolidated and company financial statements continued

16 Shareholders' Equity and Prior Year Restatement of Share Premium to Merger Reserve continued

Subject to applicable law, the Company's articles of association and any relevant authority of the Company passed by the shareholders in general meeting, there is no limit to the number of shares which the Company can issue, nor are there are any restrictions on dividends or distributions on such shares. In the context of the Company's general meeting authorities, at the AGM of 27 May 2020, shareholders gave the Directors the authority to allot shares (or grant rights to subscribe for, or convert any security into, shares) in the Company up to:

a) 3,283,791 shares in respect of the Company's Long Term Incentive Plan and Share Option Plan (5% of the Company's issued share capital as at 20 April 2020); and

b) otherwise, up to 21,870,054 shares (33.3% of the Company's issued share capital as at 20 April 2020).

This authority is considered prudent as it gives the Company flexibility to take advantage of possible opportunities which may arise from time to time. The authority granted at the 2020 AGM will expire on the earlier of (i) 15 months after 27 May 2020; and (ii) the conclusion of the 2021 AGM.

Shares to be issued are valued at the share price at the date of acquisition, and are recorded in accordance with IAS 32.16.

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

	2020		2019	
	Shares	€'000	Shares	€'000
Ordinary shares held in the EBT	335,425	1,997	335,425	1,997

Reserves

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

Reserve	Description and purpose
Retained earnings	Cumulative net gains and losses recognised in the Consolidated Statement of Comprehensive Income.
Foreign exchange reserve	Gains or losses arising on retranslation of the net assets of the overseas operations into Euro.
Share premium	The share premium account is the amount received for shares issued in excess of their nominal value, net of share issuance costs.
Share 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 classified as an Equity Arrangement and the value of the shares is fixed at the date of the acquisition.
Merger reserve	The merger reserve was initially created following the Group reconstruction, when Keywords Studios PLC acquired the Keywords International Limited group of companies. When the Group uses Keywords Studios PLC shares as consideration for the acquisition of an entity, the value of the shares in excess of the nominal value (net of share issuance costs) is also recorded within this reserve, in line with S612 of the Companies Act 2006.

Prior Year Restatement of Share Premium to Merger Reserve

In May 2020, the Company completed a placing of 6,900,000 new ordinary shares issued at a price of €16.23 (£14.50) per share, representing approximately 10.5% of the issued share capital prior to the placing. Net of transaction costs, the placing raised proceeds of approximately €110m (£98m). The placing was made via a cash box structure, resulting in the Company acquiring the proceeds via a share for share exchange and hence the premium on the issuance of new shares of €109.5m has been credited to Merger reserve (in accordance with S610 of the Companies Act 2006). At the time of the placement, the proceeds were not allocated to a specific acquisition or specific purpose, and thus this reserve is considered distributable. The new shares rank pari passu in all respects with the existing ordinary shares of the Company, including the right to receive all future dividends and other distributions declared or paid after the date of placing.

Following completion of the share placement via the cash box structure in May 2020, a review of the Company's merger reserves was performed. It was identified that the premium on shares issued as part of the share placement in 2017 of €82.3m, was incorrectly recorded in non-distributable share premium. As the placing was also made via a cash box structure, resulting in the Company acquiring the proceeds via a share for share exchange, the premium on the issuance of new shares of €82.3m should have been credited to Merger reserve (in accordance with S610 of the Companies Act 2006). At the time of the placing the proceeds were identified as allocated to specific acquisitions. Hence the reserve is not considered distributable, but may become distributable in the future. The premium has been re-designated to Merger reserve and the prior period balances have been restated accordingly.

Prior period restatement	Share premium €'000	Merger reserve €'000
At 1 January 2019 – as reported	102,225	35,996
Reclassification of Share premium within Reserves	(82,261)	82,261
At 1 January 2019 – as restated	19,964	118,257

It was further identified that the share premium of €14.4m on the share placement in 2015, again via a cash box structure, that was posted to Merger reserve in 2015, is in fact distributable (as at the time of the placement the proceeds were not allocated to a specific purpose). For clarity, this transaction for €14.4m, together with the €109.5m from the share placement in 2020 (totalling €123.9m) that are included in the Merger reserve, are considered distributable.

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 as follows:

	2020 €'000	2019 €'000
Share option scheme expense	2,576	1,520
LTIP option expense	12,774	8,255
	15,350	9,775

Of the total share option expense, €1,007k relates to Directors of the Company (2019: €754k).

Notes forming part of the consolidated and company financial statements continued

17 Share Options continued

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:

	2020		2019	
	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	9.97	2,148,102	7.11	1,832,701
Granted	15.93	822,000	15.88	729,000
Lapsed	15.64	(179,151)	14.74	(175,807)
Exercised	4.55	(445,713)	2.66	(237,792)
Outstanding at the end of the period	12.66	2,345,238	9.96	2,148,102
Exercisable at the end of the period	4.39	638,238	1.89	809,440
Weighted average share price at date of exercise	17.91		15.98	

Summary by year

Year of Option	2013	2015	2016	2017	2018	2019	2020	Total
Exercise price	£1.23	£1.58	£2.54	£7.76	£17.10	£15.88	£15.93	
Outstanding at the beginning of the period	178,559	544,481	91,229	205,833	469,500	658,500	–	2,148,102
Granted	–	–	–	–	–	–	822,000	822,000
Lapsed	–	(1,420)	(1,601)	(10,139)	(36,839)	(69,713)	(59,439)	(179,151)
Exercised	(178,559)	(84,448)	(55,332)	(68,660)	(57,679)	(787)	(248)	(445,713)
Outstanding at the end of the period	–	458,613	34,296	127,034	374,982	588,000	762,313	2,345,238
Exercisable at 31 December 2020	–	458,613	34,296	53,034	91,982	–	313	638,238
Exercisable 2021	–	–	–	74,000	141,500	196,000	–	411,500
Exercisable 2022	–	–	–	–	141,500	196,000	254,000	591,500
Exercisable 2023	–	–	–	–	–	196,000	254,000	450,000
Exercisable 2024	–	–	–	–	–	–	254,000	254,000

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

Year of Option	2013	2015	2016	2017	2018	2019	2020	Total
Weighted average share price (£)	£1.23	£1.64	£2.54	£7.75	£17.22	£16.09	£16.00	
Weighted average exercise price (£)	£1.23	£1.58	£2.54	£7.76	£17.10	£15.88	£15.93	
Fair value at measurement date (€)	€0.81	€0.56	€0.40	€1.13	€3.79	€5.72	€6.06	
Average expected life	4 Years	4 Years	4 Years	4 Years	4 Years	4 Years	4 Years	
Expected volatility	36.12%	28.03%	27.17%	24.79%	35.87%	45.23%	50.15%	
Risk free rates	0.50%	0.90%	0.58%	0.16%	0.89%	0.81%	0.07%	
Average expected dividend yield	1.00%	0.75%	0.55%	0.21%	0.10%	0.10%	0.10%	
Weighted average remaining life of options in months	–	–	–	5	17	29	41	24

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

Long Term Incentive Plan Scheme

LTIP share awards are subject to KWS performance versus the designated share index over a three-year period.

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

	2020		2019	
	Average exercise price in £ per share	Number of options	Average exercise price in £ per share	Number of options
Outstanding at the beginning of the period	0.01	3,445,868	0.01	2,677,467
Granted	0.01	1,428,000	0.01	1,298,136
Lapsed	0.01	(178,400)	0.01	(200,367)
Exercised	0.01	(1,002,651)	0.01	(329,368)
Outstanding at the end of the period	0.01	3,692,817	0.01	3,445,868
Exercisable at the end of the period	0.01	373,648	0.01	732,299
Weighted average share price at date of exercise	17.34		16.17	

Summary by year

Year of Option	2013	2015	2016	2017	2018	2019	2020	Total
Exercise price	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01	
Outstanding at the beginning of the period	204,273	200,959	327,067	644,000	857,000	1,212,569	–	3,445,868
Granted	–	–	–	–	–	–	1,428,000	1,428,000
Lapsed	–	–	–	–	(58,000)	(76,600)	(43,800)	(178,400)
Exercised	(204,273)	(153,601)	(196,807)	(447,970)	–	–	–	(1,002,651)
Outstanding at the end of the period	–	47,358	130,260	196,030	799,000	1,135,969	1,384,200	3,692,817
Exercisable at 31 December 2020	–	47,358	130,260	196,030	–	–	–	373,648
Exercisable 2021	–	–	–	–	799,000	–	–	799,000
Exercisable 2022	–	–	–	–	–	1,135,969	–	1,135,969
Exercisable 2023	–	–	–	–	–	–	1,384,200	1,384,200

The inputs into the Monte Carlo binomial model, used to value the options are as follows:

Year of Option	2013	2015	2016	2017	2018	2019	2020	Total
Weighted average share price (£)	£1.23	£1.60	£2.56	£7.75	£17.24	£16.05	£16.00	
Weighted average exercise price (£)	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01	
Fair value at measurement date (€)	€0.62	€1.38	€1.74	€4.96	€11.83	€13.98	€13.28	
Average expected life	3 Years	3 Years	3 Years	3 Years	3 Years	3 Years	3 Years	
Expected volatility	36.12%	28.21%	27.11%	24.79%	35.87%	45.26%	50.15%	
Risk free rates	0.50%	0.88%	0.54%	0.16%	0.89%	0.81%	0.07%	
Weighted average remaining life of options in months	–	–	–	–	5	17	29	17

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.

LTIP's vest on the third anniversary of the grant, if the market performance criteria are met. LTIPs must be exercised before the seventh anniversary of the grant.

Notes forming part of the consolidated and company financial statements continued

18 Other Payables

	Group		Company	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000
Current liabilities				
Accrued expenses	31,086	22,809	1,053	818
Payroll taxes	2,563	3,833	412	118
Other payables (ii)	10,501	6,104	33	271
Deferred and contingent consideration (i)	18,808	5,966	–	–
Intercompany payables	–	–	8,481	10,091
	62,958	38,712	9,979	11,298
Non-current liabilities				
Other payables (ii)	–	216	–	–
Deferred and contingent consideration (i)	1,994	69	–	–
Intercompany payables	–	–	–	5,561
	1,994	285	–	5,561

(i) The movement in deferred and contingent consideration during the financial year was as follows:

	Group		Company	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000
Carrying amount at the beginning of the year	6,035	19,306	–	–
Consideration settled by cash	(2,489)	(14,711)	–	–
Consideration settled by shares	(3,321)	–	–	–
Unwinding of discount (note 6)	132	330	–	–
Additional liabilities from current year acquisitions (note 27)	21,131	238	–	
Fair value adjustments	(66)	493	–	–
Exchange rate movement	(620)	379	–	–
Carrying amount at the end of the year	20,802	6,035	–	–

In general, in order for contingent consideration to become payable, pre-defined profit and/or revenue targets must be exceeded. The valuation of contingent consideration is derived using data from sources that are not widely available to the public and involves a degree of judgement (Level 3 input in the fair value hierarchy). On an undiscounted basis, the Group may be liable for deferred and contingent consideration ranging from €0.2m to a maximum of €26.4m. A 10% movement in expected performance results, has no impact on the fair value of the contingent consideration, and hence there are no reasonably probable changes to the assumptions and inputs (including the discount rate), that would lead to a material change to the fair value of the total amount payable.

(ii) Other payables includes deferred income from contracts with customers of €2,967k (2019: €2,609k), which mainly comprise items invoiced prior to services being delivered. The movement in the year is comprised of transfers in and out as items are deferred and subsequently recognised as revenue.

19 Employee Defined Benefit Plans

In line with statutory requirements in France, Italy and India, we are required to maintain employee defined benefit termination payment schemes.

In France, employees are entitled to a lump-sum on retirement or early termination, based on salary and length of service ('Indemnité de Fin de Carrière' or IFC), entitling the Group's French employees to benefits of up to 2 month's salary per year of service.

In Italy, on leaving employment, each employee is entitled to 1/13.5 of their final salary for each year of service ('Trattamento di Fine Rapporto' or TFR).

In India, in compliance with statutory requirements, employees with over 5 years service are entitled a termination benefit of 15/26 of monthly salary for each year of service ('Gratuity' benefits).

The Group commissions an actuarial valuation of the related liabilities in each jurisdiction annually.

The liabilities at year end are recorded as long term. The actuarial gain or loss is recorded separately within Other comprehensive income. The movements through the year are as follows:

	2020 €'000	2019 €'000
Opening liabilities at 1 January	2,049	1,378
Liabilities in France recognised at 1 January 2019	–	210
Service cost	354	307
Interest cost	30	35
Benefits paid	(110)	(48)
Actuarial (gain)/loss recorded	421	167
Exchange rate movement	(51)	–
Closing liabilities at 31 December	2,693	2,049

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

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

The Group has taken no specific actions to mitigate 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 Group's results caused by any of these factors. A maturity profile of the obligation is not presented as the liability is not significant in the context of the Group, and due to the age profile of employees a significant outlay is not anticipated for the foreseeable future.

In 2021, the Group expects the costs of the employee benefit plan to be in line with current year levels, as staff levels are anticipated to not change significantly in the period.

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

Cost for year	2020 €'000	2019 €'000
Service cost	354	307
Interest cost	30	35
Liabilities in France recognised at 1 January 2019	–	210
Actuarial (gain)/loss	421	167
	805	719

Actuarial (gain)/loss	2020 €'000	2019 €'000
Change due to experience	98	28
Change due to demographical assumptions	(93)	(24)
Change due to financial assumptions	416	163
	421	167

Notes forming part of the consolidated and company financial statements continued

19 Employee Defined Benefit Plans continued

Assumptions Underlying the Actuarial Valuations and Sensitivities of the Assumptions

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

- Mortality probabilities were derived from the population demographics, as recorded by the Government Statistics Offices in each jurisdiction.
- Disability, retirement age and other relevant demographic assumptions were taken from relevant life assurance statistics.
- Certain inputs were estimated by management including:
  - Employee attrition rates, estimated based on company experience in each jurisdiction.
  - In Italy, TFR rules allow for early drawdown of benefits in certain circumstances. Such advances were estimated on the basis of company experience.

Economic and Financial Assumptions	2020	2019
Staff salary increase rate	3.63%	3.38%
Inflation rate	2.93%	2.06%
Discount rate	1.23%	1.64%

Key Statistics	2020	2019
Staff (number)	782	749
Average age (years)	31	31
Average service (years)	4	4

Interest Rate Sensitivities	2020 €'000	2019 €'000
(0.25)%	2,842	2,179
0.25%	2,568	1,964

Mortality Rate Sensitivities	2020 €'000	2019 €'000
(0.025)%	2,696	2,056
0.025%	2,693	2,054

Staff Turn Over Rate Sensitivities	2020 €'000	2019 €'000
(0.50)%	2,726	2,090
0.50%	2,664	2,046

Staff Salary Increase Rate Sensitivities	2020 €'000	2019 €'000
(0.50)%	2,703	2,033
0.50%	2,745	2,103

20 Loans and Borrowings

	Group		Company	
Maturity analysis of Loans and borrowings	**2020 €'000**	**2019 €'000**	**2020 €'000**	**2019 €'000**
Current				
Expiry within 1 year	–	80	–	–
Non-current				
Expiry between 1 and 2 years	–	–	–	–
Expiry over 2 years	195	59,671	–	59,500
	195	59,671	–	59,500
	195	59,751	–	59,500
Currency denomination				
Euro	–	59,500	–	59,500
Canadian Dollars	195	251	–	–
	195	59,751	–	59,500

In 2019 the Company amended and extended it's existing Syndicated Bank revolving credit facility ('RCF'). The RCF allows financing of up to €100m, with an option to increase this by up to €40m to a total of €140m, at a rate based on a margin over EURIBOR, plus a separate margin charged for the unutilised facility. The RCF extends to October 2022, with an option to extend this maturity date by up to a further 2 years. While technically any borrowings are repaid and re-borrowed multiple times during the term of the RCF, so long as the Group remains compliant with the financial covenants and certain other terms of the RCF, the debt is rolled from one period to another, with the legal and commercial substance of a multi-year committed facility. Hence the Group presents liabilities under the RCF as non-current. In the prior period, the original RCF arrangement which was presented as a current liability during the process of being re-negotiated, was re-designated to non-current following re-negotiation.

In connection with the RCF, security has been granted over the major subsidiaries of the Group and the lenders also require the Group to comply with and report interest cover and leverage ratios in connection with its financial covenants. Non-compliance with terms of the RCF could result in lenders refusing to advance more funds, or in the worst case, calling in outstanding loans. Throughout the period, the Group operated well within the interest cover and leverage ratio terms of the RCF agreement.

The movements in loans and borrowings is as follows:

	Group			Company		
	Current €'000	**Non-current €'000**	**Total €'000**	**Current €'000**	**Non-current €'000**	**Total €'000**
At 1 January 2019	40,071	230	40,301	40,000	–	40,000
Cash flows:						
Drawdowns	–	27,000	27,000	–	27,000	27,000
Repayments	(71)	(7,902)	(7,973)	–	(7,500)	(7,500)
Non-cash flows:						
Recognition on acquisition of subsidiaries	–	402	402	–	–	–
Current re-designated to non-current	(39,920)	39,920	–	(40,000)	40,000	–
Exchange rate movement	–	21	21	–	–	–
At 31 December 2019	80	59,671	59,751	–	59,500	59,500
Cash flows:						
Drawdowns	–	4,500	4,500	–	4,500	4,500
Repayments	–	(64,030)	(64,030)	–	(64,000)	(64,000)
Non-cash flows:						
Exchange rate movement	(7)	(19)	(26)	–	–	–
At 31 December 2020	73	122	195	–	–	–

Following the share placing in May 2020, the balance of the RCF was repaid in June 2020, with the residual balance being loans owed by Keywords Studios QC-Interactive Inc.

Loans and borrowings (classified as financial liabilities under IFRS 9), are held at amortised cost. Interest expenses which are calculated using the effective interest method, are disclosed in note 6.

Notes forming part of the consolidated and company financial statements continued

21 Lease Liabilities

The Group has entered into leases, across the business, principally relating to property. These property leases have varying terms and renewal rights. Management applies judgement in determining whether it is reasonably certain that a renewal or termination option will be exercised.

The movement in lease liabilities during the financial year was as follows:

	Group		Company	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000
Carrying amount at the beginning of the year	21,907	–	626	–
Recognition on acquisition of subsidiaries (note 27)	2,376	990	–	–
Adjustments from adoption of IFRS 16	–	23,138	–	785
Liabilities recognised on new leases in the period	15,035	4,315	–	–
Unwinding of discounted liabilities – lease liabilities	843	694	12	16
Payment of principal and interest on lease liabilities	(9,013)	(8,049)	(206)	(208)
Exchange rate movement	(2,284)	819	(33)	33
Carrying amount at the end of the year	28,864	21,907	399	626

The value of leases not yet commenced to which the lessee is committed, which are not included in lease liabilities at 31 December 2020, were €10.3m (2019: €nil).

Group

	2020 €'000	2020 €'000	2020 €'000	2019 €'000	2019 €'000	2019 €'000
Maturity analysis of lease liabilities	Lease payments	Finance charges	Lease liabilities	Lease payments	Finance charges	Lease liabilities
Current						
Not later than one year	8,291	930	7,361	8,281	582	7,741
Non-current						
Later than one year and not later than five years	18,715	1,013	17,702	12,321	216	12,152
Later than five years	5,307	1,506	3,801	2,718	703	2,014
	24,022	2,519	21,503	15,039	919	14,166
At 31 December	32,313	3,449	28,864	23,320	1,501	21,907

Company

	2020 €'000	2020 €'000	2020 €'000	2019 €'000	2019 €'000	2019 €'000
Maturity analysis of lease liabilities	Lease payments	Finance charges	Lease liabilities	Lease payments	Finance charges	Lease liabilities
Current						
Not later than one year	204	7	197	216	12	204
Non-current						
Later than one year and not later than five years	204	2	202	431	9	422
Later than five years	–	–	–	–	–	–
	204	2	202	431	9	422
At 31 December	408	9	399	647	21	626

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low-value assets. Payments made under such leases are expensed on a straight-line basis. The expenses in the period relating to payments not included in the measurement of the lease liability were as follows:

Lease payments not recognised as a liability	Group 2020 €'000	Group 2019 €'000	Company 2020 €'000	Company 2019 €'000
Short-term leases	1,747	1,616	–	–
Leases of low-value assets	–	–	–	–
	1,747	1,616	–	–
The future minimum lease payments related to these leases				
Not later than one year	991	651	–	–
Later than one year and not later than five years	–	–	–	–
Later than five years	–	–	–	–
	991	651	–	–

The effect of variable lease payments and re-instatement costs on future cash outflows arising from leases, is not material for the Group.

22 Deferred Tax

Details of the deferred tax assets and liabilities, and amounts recognised in the Income statement are as follows:

	2020 €'000 Assets	2020 €'000 Liabilities	2020 €'000 Net	2020 €'000 (Credited)/ charged to income statement
Defined benefit termination payments	69	–	69	(19)
Available losses	1,157	–	1,157	293
Rent free period provisions	75	–	75	(64)
Fixed asset tax base versus accounting book value	603	704	(101)	104
Deferred tax related to tax credits	38	2,144	(2,106)	(1,057)
Deferred tax arising on items deductible on a paid basis	3,344	1,405	1,939	(949)
Recognition on acquisition of subsidiaries	9,363	3,970	5,393	–
Deferred tax arising on intangibles	–	2,352	(2,352)	(1,451)
Net tax assets/liabilities	14,649	10,575	4,074	(3,143)
Impact of change in tax rates				289
Prior year (over)/under provision				(18)
Total (credited)/charged to income statement				(2,872)

Notes forming part of the consolidated and company financial statements continued

22 Deferred Tax continued

	2019 €'000 Assets	2019 €'000 Liabilities	2019 €'000 Net	2019 €'000 (Credited)/ charged to income statement
Accelerated capital allowances	–	–	–	(1)
Defined benefit termination payments	50	–	50	16
Available losses	1,450	–	1,450	(575)
Rent free period provisions	11	–	11	19
Fixed asset tax base versus accounting book value	578	575	3	484
Deferred tax related to tax credits	474	3,637	(3,163)	695
Deferred tax arising on items deductible on a paid basis	2,497	1,507	990	469
Deferred tax arising on intangibles	–	3,803	(3,803)	(1,990)
Net tax assets/(liabilities)	5,060	9,522	(4,462)	(883)
Impact of change in tax rates				(80)
Prior year (over)/under provision				(95)
Total (credited)/charged to income statement				(1,058)

The deferred tax asset not recognised on available losses at the period end is €3.2m (2019: €3.1m).

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 rates. The management monitors interest rate fluctuations on a continuous basis and acts accordingly.

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

Due to interest rate conditions, the interest rates for short-term deposits are at similar levels to those achieved for longer-terms.

The effect of a strengthening or a weakening of 1% in interest rates charged during the reporting period on the interest expense would have resulted in the following pre-tax profit/(loss) impact for the year:

	1% Strengthening 2020 €'000	1% Weakening 2020 €'000	1% Strengthening 2019 €'000	1% Weakening 2019 €'000
Interest expense	(290)	257	(503)	503

Credit Risk

The Group's main financial assets are cash and cash equivalents, as well as trade and other receivables which represent the Group's maximum exposure to credit risk in connection with its financial assets.

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. Credit risk arising in the context of the Group's operations is not significant with the total bad debt provision at the balance sheet date amounting to 4% of net trade receivables (2019: 3.0%). Customer credit risk is managed at appropriate Group locations according to established policies, procedures and controls. Customer credit quality is assessed and credit limits are established where appropriate. Outstanding customer balances are regularly monitored and a review for indicators of impairment (evidence of financial difficulty of the customer, payment default, breach of contract etc.) is carried out at each reporting date. Significant balances are reviewed individually while smaller balances are grouped and assessed collectively. Receivables balances are unsecured and non-interest-bearing. The trade receivables balances disclosed comprise a large number of customers spread across the Group's activities and geographies with balances classified as "Not past due" representing 79% of the total trade receivables balance at the balance sheet date (2019: 84%). Trade and other receivables are carried on the Consolidated statement of financial position net of bad debt provisions.

The ageing of trade receivables can be analysed as follows:

Group

	Total €'000	Not past due €'000	1-2 months past due €'000	More than 2 months past due €'000
At 31 December 2020	47,832	37,936	7,678	2,218
At 31 December 2019	43,243	36,208	6,136	899

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

	2020 €'000	2019 €'000
Provision at the beginning of the year	1,283	1,717
Impairment of financial assets (trade receivables) charged to administration expenses	1,293	500
Foreign exchange movement in the year	(284)	54
Utilised	(310)	(988)
Provision at the end of the year	1,982	1,283

Notes forming part of the consolidated and company financial statements continued

23 Financial Instruments and Risk Management continued

Trade receivables loss allowance is estimated using a practical expedient to arrive at lifetime expected credit losses. Overdue receivables are evaluated to calculate an expected credit loss using a historical credit loss experience of 0.5% (2019: 0.5%). Taking into account internal and external information, the historical credit loss experience may be adjusted where it is determined that there has been a significant increase in credit risk. Where a receivable is credit impaired, the impairment is recognised immediately, and impaired balances are removed from the expected credit loss calculation. Due to the pandemic, Credit impaired receivables provisions were increased to €1.7m at 31 December 2020.

	Total €'000	Not past due €'000	1-2 months past due €'000	More than 2 months past due €'000
Trade receivables gross	49,814	38,150	7,887	3,777
Credit impaired	(1,733)	(23)	(170)	(1,540)
Expected credit losses	(249)	(191)	(39)	(19)
At 31 December 2020	47,832	37,936	7,678	2,218

	Total €'000	Not past due €'000	1-2 months past due €'000	More than 2 months past due €'000
Trade receivables gross	44,526	36,386	6,166	1,974
Credit impaired	(1,071)	–	–	(1,071)
Expected credit losses	(212)	(178)	(30)	(4)
At 31 December 2019	43,243	36,208	6,136	899

Related party receivables of €nil were past due at 31 December 2020 (2019: €nil).

Company

As presented in note 26, receivables from subsidiaries relating to investments in acquisitions, comprise term loans extended to subsidiaries, while receivables from subsidiaries relating to trading activities, comprise trading balances repayable on demand. Balances are analysed in terms of the risk profile of the subsidiary.

The Directors have assessed the ongoing expected recovery strategy of loans due from subsidiaries of €258.5m (2019: €208.4m), within Stage 1 of the IFRS 9 impairment assessment model. Having noted that such loans are within their repayment terms, the Directors have concluded that no provision for expected credit losses is required (2019: €nil).

Separately the Company has balances of €5.1m (2019: €15.2m), which are technically repayable upon demand. These loans are within Stage 3 of the IFRS 9 impairment assessment model. The Directors have reviewed in detail the recovery strategy in relation to these loans and concluded that a small number of such loans are technically in a credit-impaired status. An expected credit loss of €218k (2019: €218k) has been recognised in relation to these balances.

Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The foreign exchange risk arises for the Group where assets and liabilities arise in a currency other than the functional currency of the entity.

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

The Group is predominantly exposed to currency risk on the balances held within working capital across the Group and the exposure is concentrated in the movement of the Canadian Dollar, US Dollar and Sterling against the Euro. The effect of a strengthening or weakening of 10% in those currencies against the Euro at the reporting date on the working capital balances would, all other variables held constant, have resulted in the following pre-tax profit/(loss) impact for the year:

	2020 €'000	2020 €'000	2019 €'000	2019 €'000
	10% Strengthening	10% Weakening	10% Strengthening	10% Weakening
US Dollar to Euro	4,712	(3,855)	3,052	(2,497)
Canadian Dollar to Euro	594	(486)	1,779	(1,455)
Sterling to Euro	835	(683)	1,535	(1,256)

Total Financial Assets and Liabilities

The carrying amount of the financial assets and liabilities shown in the Consolidated and Company Statements of financial position are stated at amortised costs, with the exception of contingent consideration held at fair value.

Liquidity Risk

Liquidity risk arises from the Group's management of working capital and the financial charges on its debt instruments. The Group's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due. The Directors consider liquidity risk is mitigated by the strong working capital position, with €190m of current assets, including cash of €103m available to settle liabilities as they fall due.

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

Group

	Carrying value	Contractual cash flows				
At 31 December 2020	Total €'000	Total €'000	Within 1 year €'000	1-2 years €'000	2-5 years €'000	Over 5 years €'000
Trade payables	8,170	8,170	8,170	–	–	–
Deferred and contingent consideration (i)	20,802	26,442	20,699	5,743	–	–
Other payables	44,150	44,150	44,150	–	–	–
Loans and borrowings	195	195	73	122	–	–
Loan interest	10	10	5	5	–	–
Lease liabilities	28,864	32,313	8,291	7,153	11,562	5,307
Total	102,191	111,280	81,388	13,023	11,562	5,307

	Carrying value	Contractual cash flows*				
At 31 December 2019	Total €'000	Total €'000	Within 1 year €'000	1-2 years €'000	2-5 years €'000	Over 5 years €'000
Trade payables	8,027	8,027	8,027	–	–	–
Deferred and contingent consideration (i)	6,035	6,035	5,966	69	–	–
Other payables	32,962	32,962	32,746	216	–	–
Loans and borrowings	59,751	59,751	80	–	59,671	–
Loan interest	102	102	102	–	–	–
Lease liabilities	21,907	23,320	8,240	5,078	7,858	2,144
Total	128,784	130,197	55,161	5,363	67,529	2,144

* Please note the prior year comparative has been re-designated to reflect the current year presentation as the Directors consider this to be more appropriate.

Notes forming part of the consolidated and company financial statements continued

23 Financial Instruments and Risk Management continued

Company

	Carrying value	Contractual cash flows				
At 31 December 2020	**Total €'000**	**Total €'000**	**Within 1 year €'000**	**1-2 years €'000**	**2-5 years €'000**	**Over 5 years €'000**
Trade payables	61	61	61	–	–	–
Other payables	9,979	9,979	9,979	–	–	–
Lease liability	399	408	204	204	–	–
Total	10,439	10,448	10,244	204	–	–

	Carrying value	Contractual cash flows*				
At 31 December 2019	**Total €'000**	**Total €'000**	**Within 1 year €'000**	**1-2 years €'000**	**2-5 years €'000**	**Over 5 years €'000**
Trade payables	139	139	139	–	–	–
Other payables	16,859	16,859	11,298	–	5,561	–
Loans and borrowings	59,500	59,500	–	–	59,500	–
Loan interest	102	102	102	–	–	–
Lease liability	626	647	216	216	215	–
Total	77,226	77,247	11,755	216	65,276	–

* Please note the prior year comparative has been re-designated to reflect the current year presentation as the Directors consider this to be more appropriate.

(i) Deferred and contingent consideration at 31 December 2020 has arisen on business combinations, and is based on set amounts to be paid in the future to sellers under share purchase agreements. In general, in order for contingent consideration to become payable, pre-defined profit and/or revenue targets must be exceeded. On an undiscounted basis, the Group may be liable for deferred and contingent consideration up to a maximum of €26.4m.

24 Capital Management

Group	**2020 €'000**	**2019 €'000**
Loans and borrowings (note 20)	195	59,751
Less: cash and cash equivalents	(103,070)	(41,827)
Net debt/(net cash) position	(102,875)	17,924
Total equity	371,235	222,958
Net debt/(net cash) to capital ratio (%)	(27.7)%	8.0%

The Group manages capital by monitoring debt to capital and net debt ratios. This debt to capital ratio is calculated as net debt to total equity. Net debt is calculated as loans and borrowings (as shown in the Consolidated statement of financial position) less cash and cash equivalents. The liquidity risk and cash management for the Group is managed centrally by the Group Treasury function. Group Treasury manage bank balances centrally, and monitors the credit rating and stability of the institutions the Group banks with. The Board receives projections on a monthly basis as well as information regarding cash balances. The Group's strategy is to preserve a strong cash base and secure access to finance at reasonable cost by maintaining a good credit rating.

25 Investment in Subsidiaries

Company	2020 €'000	2019 €'000
	30,670	30,670

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

Details of the Company's direct and indirect subsidiaries as at 31 December 2020 are set out below:

Name	Country of incorporation	Date of incorporation/ acquisition	Ownership^	Registered office
Keywords International Ltd	Ireland	13-May-98	100%	Whelan House, South County Business Park, Dublin 18, Ireland.
Keywords International Co., Ltd.	Japan	30-Nov-10	100%	2-3-1 Kudanminami, Chiyoda-ku, Tokyo 102-0074, Japan
Keywords International, Inc.	USA	26-Sep-12	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA
Liquid Violet Ltd*	UK	15-Jan-14	100%	201 Temple Chambers, 3-7 Temple Avenue, London, England, EC4Y 0DT
Keywords Studios QC-Games Inc.	Canada (Quebec)	17-Feb-14	100%	1751 Richardson, suite 8400, Montréal, Québec, Canada H3K1G6
Babel Media USA, Inc.	USA	17-Feb-14	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA
Babel Media India Private Limited	India	17-Feb-14	100%	3rd floor, Vardhman Orchard Plaza, Plot No 4, LSC, West Enclave, Pitampura, New Delhi, 110034, India
Babel Media Ltd*	UK	17-Feb-14	100%	201 Temple Chambers, 3-7 Temple Avenue, London, England, EC4Y 0DT
Keywords International Pte. Limited	Singapore	24-Apr-14	100%	20 Kallang Avenue, #06-6A, Lobby B, Pico Creative Centre, Singapore 339411
Keywords Studios Italy S.R.L.	Italy	08-May-14	100%	Via Egadi 2, Milano, MI, 20144, Italy
Keywords Studios Los Angeles, Inc.	USA	08-May-14	100%	350 N. Glenoaks Blvd., Suite 305, Burbank, CA 91502, USA
Lakshya Digital Private Limited*	India	09-Oct-14	100%	3rd floor, Vardhman Orchard Plaza, Plot No 4, LSC, West Enclave, Pitampura, New Delhi, 110034, India
Edugame Solutions Private Limited	India	09-Oct-14	100%	D – 3/C, Munirka Flats, New Delhi – 110067
Lakshya Digital Singapore Pte. Ltd	Singapore	09-Oct-14	100%	20 Kallang Avenue, #06-6A, Lobby B, Pico Creative Centre, Singapore 339411
Keywords Studios QC-Tech Inc.	Canada (Quebec)	06-Jan-15	100%	1751 Richardson, suite 8400, Montréal, Québec, Canada H3K1G6
Keywords International Barcelona SL	Spain	09-Jan-15	100%	Passeig de Gràcia 49, 1er2a, 08007 Barcelona, Catalonia, Spain
Keywords do Brasil Localizacao e Traducao Ltda	Brazil	18-Jan-15	100%	Av. Churchill, 109 – Sala 204 – Centro, Rio de Janeiro-RJ, Brazil CEP: 20020-050
Keywords (Shanghai) Information Technology Ltd	China	02-Apr-15	100%	7TH Floor, Building A, Dong Ti YuHui Road, Hongkou District, Shanghai, China
Keywords Studios Spain SLU	Spain	16-Jul-15	100%	Julián Camarillo 6A, 3B, 28037 Madrid, Spain
Keywords Studios México, S. de R.L. de C.V.	Mexico	16-Jul-15	100%	Torrente #75, Colonia Ampliación Alpes, Del. Álvaro Obregón, CP. 01710, Ciudad de México, México
Liquid Development, LLC	USA	19-Aug-15	100%	411 SW 2nd Ave Ste 300, Portland, OR 97204, USA.
Keywords Asia Private Ltd	Singapore	15-Mar-16	100%	20 Kallang Avenue, #06-6A, Lobby B, Pico Creative Centre, Singapore 339411
Synthesis Deutschland GmbH*	Germany	12-Apr-16	100%	Holstenkamp 46 A, Bahrenfeld, 22525 Hamburg, Germany
Synthesis Global Solutions SA*	Switzerland	12-Apr-16	100%	Corso Elvezia 16, 6900 Lugano, Ticino, Switzerland
Keywords Studios France SAS	France	08-Jun-16	100%	59 Boulevard Exelmans, 75016 Paris, France
Player Research Ltd	UK	26-Oct-16	100%	201 Temple Chambers, 3-7 Temple Avenue, London, England, EC4Y 0DT
Keywords Studios QC-Interactive Inc.	Canada (Quebec)	16-Nov-16	100%	2031 boul. du Curé-Labelle, Saint-Jérôme (Québec) J7Y1S5, Canada
SPOV Ltd	UK	16-Feb-17	100%	201 Temple Chambers, 3-7 Temple Avenue, London, England, EC4Y 0DT
Xloc, Inc.	USA	08-May-17	100%	8801 Fast Park Drive, Suite 301, Raleigh, NC 27617, USA

Notes forming part of the consolidated and company financial statements continued

25 Investment in Subsidiaries continued

Name	Country of incorporation	Date of incorporation/ acquisition	Ownership^	Registered office
GameSim Inc.	USA	16-May-17	100%	13501 Ingenuity Drive, Suite 310, Orlando, FL 32826, USA.
Strongbox Ltd	Seychelles	19-May-17	100%	Suites 103, 106 and 107 Premier Building, Victoria, Mahe, Seychelles
Red Hot Software (Shanghai) Ltd	China	19-May-17	100%	7TH Floor, Building A, Dong Ti YuHui Road, Hongkou District, Shanghai, China
Red Hot Software (Zhengzhou) Ltd	China	19-May-17	100%	Room 207, 11th Floor, Building No. 3, No. 57 Ke Xue Da Dao, Zheng Zhou, He Nan, China
Eastern New Media Limited	Hong Kong	19-May-17	100%	Flat/Rm 4304, 43F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
PT Limitless Indonesia	Indonesia	19-May-17	100%	Jl. Timoho II, No. 32, Yogyakarta, Indonesia
Around the Word GmbH	Germany	03-Aug-17	100%	Rosenstrasse 2, D-10178 Berlin
d3t Ltd	UK	19-Oct-17	100%	201 Temple Chambers, 3-7 Temple Avenue, London, England, EC4Y 0DT
Keywords US Holdings Inc.	USA	23-Oct-17	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA
VMC Consulting Corporation	USA	24-Oct-17	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA
Keywords Canada Holdings Inc.	Canada (Quebec)	27-Oct-17	100%	1751 Richardson Street Suite 8400 Montreal QC H3K 1G6 Canada
Keywords Studios B.C., Inc.	Canada (BC)	27-Oct-17	100%	1700-1075 West Georgia Street, Vancouver, BC, Canada V6E 3C9
Sperasoft Poland Spólka z.o.o.	Poland	13-Dec-17	100%	Ul. Na Kozłówce 27, 30-664 Kraków, Poland
Sperasoft Studios LLC	Russia	13-Dec-17	100%	196084, Russia, Saint-Petersburg, Kievskaya street, 5 – building
Sperasoft, Inc.	USA	13-Dec-17	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA
SperaSystems LLC	USA	13-Dec-17	100%	2033 Gateway Pl Ste 500 San Jose, CA 95110-3712, USA
Keywords Studios Ltd*	Ireland	27-Mar-18	100%	Whelan House, South County Business Park, Dublin 18, Ireland.
Keywords UK Holdings Limited	UK	28-Mar-18	100%	201 Temple Chambers, 3-7 Temple Avenue, London, England, EC4Y 0DT
Keywords Ventures Limited	UK	06-Apr-18	100%	201 Temple Chambers, 3-7 Temple Avenue, London, England, EC4Y 0DT
Laced Music Ltd	UK	07-Apr-18	100%	201 Temple Chambers, 3-7 Temple Avenue, London, England, EC4Y 0DT
Cord Worldwide Ltd	UK	07-Apr-18	100%	201 Temple Chambers, 3-7 Temple Avenue, London, England, EC4Y 0DT
Paleblue Limited	UK	07-Apr-18	100%	201 Temple Chambers, 3-7 Temple Avenue, London, England, EC4Y 0DT
Fire Without Smoke Ltd	UK	29-May-18	100%	201 Temple Chambers, 3-7 Temple Avenue, London, England, EC4Y 0DT
Fire Without Smoke Inc	USA	29-May-18	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA
Blindlight, LLC	USA	08-Jun-18	100%	8335 Sunset Blvd, West Hollywood, CA 90069, USA.
Snowed In Studios, Inc	Canada	19-Jul-18	100%	400-981 Wellington Street West, Ottawa, Ontario, K1Y 2Y1
Studio Gobo Limited	UK	17-Aug-18	100%	201 Temple Chambers, 3-7 Temple Avenue, London, England, EC4Y 0DT
Bitsy SG Limited	UK	17-Aug-18	100%	201 Temple Chambers, 3-7 Temple Avenue, London, England, EC4Y 0DT
Electric Square Limited	UK	17-Aug-18	100%	201 Temple Chambers, 3-7 Temple Avenue, London, England, EC4Y 0DT
Alset Ltd	UK	17-Aug-18	100%	201 Temple Chambers, 3-7 Temple Avenue, London, England, EC4Y 0DT
Itsy SGD Limited	UK	17-Aug-18	100%	201 Temple Chambers, 3-7 Temple Avenue, London, England, EC4Y 0DT
d3t Development Ltd	UK	30-Aug-18	100%	201 Temple Chambers, 3-7 Temple Avenue, London, England, EC4Y 0DT

Name	Country of incorporation	Date of incorporation/ acquisition	Ownership^	Registered office
The Trailerfarm Limited	UK	13-Sep-18	100%	201 Temple Chambers, 3-7 Temple Avenue, London, England, EC4Y 0DT
Sunny Side Up Creative Inc.	Canada	03-Jan-19	100%	410 Boulevard Charest Est, Suite 410, Québec, Québec, Canada, G1K 8G3.
Appsectest Ltd	UK	22-Jan-19	48%	Unit 13 Orton Enterprise Centre, Bakewell Road, Peterborough, Cambridgeshire, United Kingdom, PE2 6XU
Keywords Studios Netherlands B.V.	Netherlands	05-Feb-19	100%	Wilhelmina van Pruisenweg 35, 2595AN The Hague, the Netherlands
Wizcorp Inc.	Japan	18-Apr-19	100%	3-10-14, Higashi-Nihonbashi 3-chome, Sunrise Tachibana 6F, Chuo-ku, Tokyo ZIP 103-0004
Descriptive Video Works Inc.	Canada	11-Jun-19	100%	400-725 Granville Street, PO Box 10325, Vancouver BC V7Y 1G5, Canada
Keywords Germany Holdings GmbH	Germany	06-Sep-19	100%	Moriz-Seeler-Strasse 5-7, Franz Ehrlich Haus,12489 Berlin, Germany
TV+SYNCHRON Berlin GmbH	Germany	01-Oct-19	100%	Moriz-Seeler-Strasse 5-7, Franz Ehrlich Haus,12489 Berlin, Germany
Ichi Holdings Limited (in liquidation)	UK	26-Nov-19	100%	201 Temple Chambers, 3-7 Temple Avenue, London, England, EC4Y 0DT
Ichi Limited	UK	26-Nov-19	100%	201 Temple Chambers, 3-7 Temple Avenue, London, England, EC4Y 0DT
Ichi Creative Ltd	USA	26-Nov-19	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA
9409-2954 Québec Inc.	Canada	04-Dec-19	100%	1751 Richardson Street, Suite 8400, Montreal, Quebec, H3K 1G6, Canada
Xcelerator Machine Translations Limited	Ireland	12-Dec-19	100%	Invent, Dublin City University, Glasnevin, Dublin 9, Ireland
Marching Cube, LLC	USA	22-Jan-20	100%	815A Brazos #334 Austin, TX 78701-2502, USA
Coconut Lizard Limited	UK	25-Jun-20	100%	201 Temple Chambers, 3-7 Temple Avenue, London, England, EC4Y 0DT
Maverick Media Limited	UK	27-Aug-20	100%	201 Temple Chambers, 3-7 Temple Avenue, London, England, EC4Y 0DT
g-Net Media, Inc.	USA	24-Nov-20	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA
3455 Productions, LLC	USA	24-Nov-20	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA
Jinglebell S.r.l.	Italy	10-Dec-20	100%	Via Marco d'Oggiono 12, Milan, Italy
High Voltage Software, Inc.	USA	14-Dec-20	100%	2345 Pembroke Ave., Hoffman Estates, IL 60169, USA
HVS Nola LLC	USA	14-Dec-20	100%	201 St. Charles Ave., Suite 2220, New Orleans, LA 70170, USA
Indigo Pearl Limited	UK	15-Dec-20	100%	201 Temple Chambers, 3-7 Temple Avenue, London, England, EC4Y 0DT
Lonsdale Miller Limited	UK	15-Dec-20	100%	201 Temple Chambers, 3-7 Temple Avenue, London, England, EC4Y 0DT

* indicates a direct subsidiary (all other holdings are indirect, being subsidiaries of various intermediate group holding companies).

^ Proportion of voting rights and ordinary share capital held

Post-acquisition, the Group reviews entities to streamline activities and close any dormant entities acquired or restructured entities. Re-structuring details are set out below:

Name	Country of incorporation	Date of incorporation/ acquisition	Ownership^	Date of re-structuring	Re-structuring details
Project Titanium Funding Limited	Jersey	06-May-20	100%	22-May-20	Liquidated
Binari Sonori Audio Productions LLC	USA	08-May-14	100%	06-Sep-20	Dissolved
Descriptive Video Works USA Inc.	USA	11-Jun-19	100%	07-Oct-20	Dissolved
KW Studios Limited*	UK	29-May-13	100%	24-Nov-20	Struck off
Cord Artists Management Limited	UK	07-Apr-18	100%	24-Nov-20	Struck off

Notes forming part of the consolidated and company financial statements continued

26 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 2020, P.E.Q. Holdings Limited owned 4.73% (2019: 5.37%) 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, on an arm's length basis:

	2020 €'000	2019 €'000
Operating expenses		
Canteen charges	13	73
	13	73

The following are year-end balances owing by the Group:

	2020 €'000	2019 €'000
Italicatessen Limited	–	13
	–	13

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

	2020 €'000	2019 €'000
Operating expenses		
Rental payments	22	25
	22	25

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

As at 31 December 2020 and 2019, the Company had amounts receivable from its subsidiaries as follows:

	2020 €'000	2019 €'000
Receivables from subsidiaries related to investment in acquisitions	258,536	208,352
Receivables from subsidiaries relating to trading activities	5,126	15,220
	263,662	223,572

	2020 €'000	2019 €'000
Company – Short term (note 15)	5,126	15,220
Company – Long term (note 15)	258,536	208,352
	263,662	223,572

27 Business Combinations

	2020 €'000	2019 €'000
Details of goodwill and the fair value of net assets acquired		
Book value:		
Property, plant and equipment	872	722
Right of use assets	2,376	990
Intangible assets	–	125
Trade and other receivables – gross	4,069	1,559
Bad debt provision	–	–
Cash and cash equivalents	9,477	2,112
Trade and other payables	(4,904)	(3,295)
Lease liabilities	(2,376)	(990)
Loan	–	(402)
Book value of identifiable assets and liabilities acquired	9,514	821
Fair value adjustments:		
Identifiable intangible assets	17,673	1,490
Identifiable tangible assets	(27)	41
Deferred tax assets	9,363	–
Trade and other payables	1,003	432
Deferred tax liabilities	(3,970)	–
Total fair value adjustments	24,042	1,963
Net assets acquired	33,556	2,784
Non-controlling interest	–	(148)
Goodwill from current year acquisitions	47,112	16,950
Total purchase consideration	80,668	19,586
Details of purchase consideration and cash outflows from current acquisitions		
Cash	46,924	15,323
Deferred cash	41	238
Deferred consideration contingent on performance	21,090	–
Shares to be issued	12,613	4,025
Total purchase consideration	80,668	19,586
Fixed number of shares to be issued	503,052	275,975
Cash paid in the period	46,924	15,163
Less: cash and cash equivalent balances transferred	(9,477)	(2,112)
Net cash outflow arising on acquisition	37,447	13,051
Related acquisition costs charged through to the Consolidated statement of comprehensive income	307	535
Details of pro forma revenues and profitability of current acquisitions		
Pre-acquisition revenue	35,729	7,167
Pre-acquisition revenue with Keywords Group	–	(68)
Post-acquisition revenue	7,208	6,066
Pro forma revenue	42,937	13,165
Pre-acquisition profit before tax	9,399	151
Post-acquisition profit before tax	2,561	(170)
Pro forma profit before tax	11,960	(19)

Notes forming part of the consolidated and company financial statements continued

27 Business Combinations continued

The acquisitions made in the year are in line with the Group's strategy to grow organically and by acquisition, as it selectively consolidates the highly fragmented market for video game services. The companies will bring additional talent, expertise and industry experience to Keywords' client base. Being able to offer the additional services to our clients will further enhance our reputation as the leading provider of services to the global video games industry.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed of acquisitions in the year are set out in the table [see previous page].

The main factors leading to the recognition of goodwill on the acquisitions are the presence of certain intangible assets in the acquired entities, which are not valued for separate recognition. These include expertise in the acquired entities, enhancing and growing our services capabilities, broadening our service offering, and extending our geographical footprint, further building out our global platform.

The total amount of goodwill arising on business combinations completed in 2020, that is expected to be deductible for tax purposes was €21.6m.

28 Significant Events and Transactions

The COVID-19 pandemic resulted in restrictions being put in place requiring most of the Group's studios to be temporarily closed from March onwards. The Group has been able to move most employees to work from home arrangements and whilst this has resulted in some short term disruption, particularly in the Audio and Testing service lines, it has allowed production to continue across most of the Group's operations. Since June, most of the Group's Audio studios have reopened and from July some activities started to operate from Testing studios, however at the year end the majority of employees were still working from home.

The Group has demonstrated a strong financial resilience during the period, with continued demand for most of the Group's services albeit certain service lines have been held back by COVID-19 operational and market disruption particularly in Testing, Audio and Localization. The significant events and transactions (together with relevant judgements, estimates and assumptions) that have occurred in the period relating to the effects of the COVID-19 pandemic are summarised below:

Impairment review:

As presented in note 11, the Group performs a full assessment of the carrying value of goodwill on an annual basis. Through the year interim assessments were made using updated forecasts and projections taking into account the impact of COVID-19. The result of these assessments was that no impairment was required.

In addition specific impairment reviews were performed for other intangible asset classes where it was considered COVID-19 had the potential to trigger an impairment. As outlined in note 11, due to the uncertainty caused by COVID-19 an impairment charge of €2,060k was recognised in the period, related to intangible assets in certain early technology pre-revenue businesses.

Credit risk:

The Group's exposure to credit risk is limited to the carrying amount of financial assets (Trade receivables) recognised at the balance sheet date. The Group has not seen a significant increase in credit risk during the pandemic, largely due to the resilience of the broader video games industry. However as outlined in note 23, due to the uncertainty caused by the pandemic, the Group has taken a conservative view on the recoverability of overdue receivables, when calculating Credit impaired receivables, and thus impaired receivables have increased to €1.7m at 31 December 2020. Credit risk continues to be monitored and managed closely by the Group, with a heightened awareness due to the pandemic.

Government subsidies claimed:

The Group applied for COVID-19 government subsidies in various jurisdictions, introduced in response to the global pandemic. Judgement has been applied in determining both the eligibility for these programs, and the presentation of the subsidies in the financial statements. In certain jurisdictions COVID-19 supports displaced ongoing government incentives and reliefs, principally MMTC. In these instances, the Group has elected to present the ongoing incentives as if they have been received, reducing the amounts recognised as COVID-19 government subsidies accordingly. Included in the Consolidated statement of comprehensive income are government subsidies recognised of €9.2m (net of amounts recognised as other government incentives). The supports relate to wage subsidies designed to help prevent job losses and better position companies to resume normal operations following the crisis.

29 Events after the Reporting Date

Acquisition of Heavy Iron

On 17 September 2020, the Group announced that it had entered into a conditional agreement to acquire the entire issued share capital of Heavy Iron Studios, Inc. ("Heavy Iron"), a provider of specialised game development services, for total consideration of up to US$13.3m. Under the terms of the acquisition, subject to certain closing conditions, Keywords agreed to pay initial consideration of US$4m in cash and the equivalent of US$0.5m in new ordinary shares to the seller on the first anniversary of the acquisition. In addition, deferred consideration of up to US$8.8m is payable to the seller, in a mix of cash and shares, based on performance targets being met by the first and second year anniversaries of the acquisition. Following on the resolution of the closing conditions, on 13 January 2021 Keywords announced that it completed the acquisition of Heavy Iron for the terms envisaged under the conditional agreement.

Acquisition of Tantalus

On 18 March 2021, the Group announced the acquisition of Tantalus Media Pty Ltd ("Tantalus"), for a total consideration of up to US$46.8m. Tantalus is a leading and prolific developer of high quality, multi-platform titles. The acquisition marks Keywords' entry into the Australian video games market. Under the terms of the 85% investment, Keywords will pay a maximum amount of US$46.8m, comprising initial consideration of US$30.6m (US$18.4m in cash from existing resources and the equivalent of US$12.2m in new ordinary shares) and deferred consideration of up to US$16.2m, in a mix of cash and new ordinary shares, based on performance targets for Tantalus over two years. The new ordinary shares to be issued as part of the initial consideration and the deferred consideration will be subject to a one-year lock-in period and orderly market provisions for a further one year period. Keywords has acquired 85% of the issued share capital of Tantalus' parent company, Keywords Australia Pty Ltd ("Keywords Australia"), a new company set up for this transaction. Put and call options are in place that would allow the Group to buy the 15% shareholding in Keywords Australia in 3 years from the vendor's wholly owned investment company.

Alternative performance measures

The Group reports a number of alternative performance measures ("APMs") to present the financial performance of the business, that are not GAAP measures as defined under IFRS. The Directors believe that these measures, in conjunction with the IFRS financial information, provide the users of the financial statements with additional information to provide a more meaningful understanding of the underlying financial and operating performance of the Group. The measures are also used in the Group's internal strategic planning and budgeting processes and for setting internal management targets. These measures can have limitations as analytical tools and therefore should not be considered in isolation, or as a substitute for IFRS measures.

The principal measures used by the Group are set out below:

Organic revenue growth – Acquisitions are a core part of the Group's growth strategy. Organic revenue growth measures are used to help understand the underlying trading performance of the Group excluding the impact of acquisitions. Organic revenue growth is calculated by adjusting the prior year revenues, adding pre-acquisition revenues for the corresponding period of ownership to provide a like for like comparison with the current year, and applying the prior year's foreign exchange rates to both years.

Constant exchange rates ("CER") – Given the international nature of the Group's operations, foreign exchange movements can have an impact on the reported results of the Group when they are translated into the Group's reporting currency of Euros. In order to understand the underlying trading performance of the business, revenue is also presented using rates consistent with the prior year in order to provide year over year comparability.

Adjusted profit and earnings per share measures – Adjusted profit and earnings per share measures are used to provide management and other users of the financial statements with a clear understanding of the underlying profitability of the business over time. Adjusted profit measures are calculated by adding the following items back to the equivalent GAAP profit measures:

- **Amortisation of intangible assets** – Customer relationships and music licence amortisation commences on acquisition, whereas intellectual property/development costs amortisation commences when the product is launched. These costs, by their nature, can vary by size and amount each year. As a result, amortisation of intangibles is added back to assist with the understanding of the underlying trading performance of the business and to allow comparability across regions and categories.
- **Costs of acquisition and integration** – The level of acquisition activity can vary each year and therefore the costs associated with acquiring and integrating businesses are added back to assist with the understanding of the underlying trading performance of the Group.
- **Share-based payments** – The Group uses share-based payments as part of remuneration to align the interests of senior management and employees with shareholders. These are non-cash charges and the charge is based on the Group's share price which can change. The costs are therefore added back to assist with the understanding of underlying trading performance.
- **Foreign exchange gains and losses** – The Group does not hedge foreign currency translation exposures. The effect on the Group's results of movements in exchange rates can vary each year and are therefore added back to assist with understanding the underlying trading performance of the business.
- **COVID-19 government subsidies claimed** – The Group applied for COVID-19 government subsidies in various jurisdictions, introduced in response to the global pandemic. These subsidies have been added back in order to present adjusted profit and cash flow measures consistently year-on-year.
- **Investment income** – The Group acquired a minor holding in Hutch Games Limited, when Keywords purchased Liquid Development studio in 2015. In 2020 Hutch Games Limited was acquired and the Group received €1.4m proceeds in December. As the gain has arisen outside the normal trading activities of the Group, the income has been added back to assist with the understanding of the underlying trading performance.

Free cash flow measures – The Group aims to generate sustainable cash flow (Free cash flow) in order to support its acquisition program and to fund dividend payments to shareholders. Free cash flow is measured as Net cash generated by/(used in) operating activities after capital expenditure, payments of principal on lease liabilities, interest and tax payments, but before acquisition and integration cash outlay, investment income and dividend payments. Adjusted free cash flow is a measure of cash flow adjusting for capital expenditure that is supporting growth in future periods (represented by capital expenditure in excess of depreciation). In the current year the measure has also been adjusted for COVID-19 subsidies claimed given the one-time nature of the income.

The remainder of this section provides a reconciliation of the APMs with the relevant IFRS GAAP equivalent.

Service line analysis

The following table presents revenue growth by service line at both actual exchange rates ("AER") and constant exchange rates ("CER"). Constant exchange rates are calculated by retranslating current year reported numbers at the corresponding 2019 foreign exchange rates, in order to give management and other users of the financial statements better visibility of underlying trading performance against the prior year.

	2020 Revenue AER €m	2020 Revenue CER €m	2019 Revenue AER €m	2020 Growth AER %	2020 Growth CER %
Art Creation & Marketing	57.3	58.5	43.6	31.4%	34.2%
Game Development	80.0	81.0	66.3	20.7%	22.2%
Audio*	47.2	47.8	41.9	12.6%	14.1%
Functional Testing	78.5	80.0	68.9	13.9%	16.1%
Localization*	45.4	45.9	47.1	(3.6)%	(2.5)%
Localization Testing	23.3	23.6	22.6	3.1%	4.4%
Player Support	41.8	42.4	36.1	15.8%	17.5%
	373.5	379.2	326.5	14.4%	16.1%

* The prior year comparative has been re-classified to reflect the current year presentation as the Directors consider this to be more meaningful.

Pro forma revenue

Pro forma revenue is calculated by adding pre-acquisition revenues of current year acquisitions to the current year revenue numbers, to illustrate the size of the Group had the acquisitions been included for a full financial year.

	2020 Revenue AER €m	2020 Pre-acquisition revenue AER €m	2020 Pro forma revenue AER €m
Art Creation & Marketing	57.3	15.9	73.2
Game Development	80.0	18.0	98.0
Audio	47.2	1.4	48.6
Functional Testing	78.5	–	78.5
Localization	45.4	0.4	45.8
Localization Testing	23.3	–	23.3
Player Support	41.8	–	41.8
	373.5	35.7	409.2

Alternative performance measures continued

Organic revenue at constant exchange rates

Organic revenue at constant exchange rates is calculated by adjusting the prior year revenues, adding pre-acquisition revenues for the corresponding period of ownership, and applying the 2019 foreign exchange rates to both years.

	2019 Revenue AER €m	2019 Pre-acquisition revenue AER €m	2019 Like for like revenue AER €m	2020 Revenue growth CER €m	2020 Revenue CER €m	2020 Organic revenue growth CER %
Art Creation & Marketing	43.6	6.0	49.6	8.9	58.5	17.9%
Game Development	66.3	2.9	69.2	11.8	81.0	17.1%
Audio*	41.9	3.3	45.2	2.6	47.8	5.8%
Functional Testing	68.9	–	68.9	11.1	80.0	16.1%
Localization*	47.1	0.7	47.8	(1.9)	45.9	(4.0)%
Localization Testing	22.6	–	22.6	1.0	23.6	4.4%
Player Support	36.1	–	36.1	6.3	42.4	17.5%
	326.5	12.9	339.4	39.8	379.2	11.7%

* The prior year comparative has been re-classified to reflect the current year presentation as the Directors consider this to be more meaningful.

Adjusted operating costs

This comprises Administrative expenses as reported in the Consolidated statement of comprehensive income, adding back share option expense, costs of acquisition and integration, amortisation and impairment of intangible assets, depreciation, non-controlling interest and deducting bank charges. In order to present the measure consistently year-on-year, the impact of COVID-19 government subsidies claimed is also excluded.

Calculation	Reference in Financial Statements	2020 €'000	2019 €'000
Administrative expenses	Consolidated statement of comprehensive income	(102,090)	(98,687)
Share option expense	Consolidated statement of comprehensive income	15,350	9,775
Costs of acquisition and integration	Consolidated statement of comprehensive income	2,650	4,348
Amortisation and impairment of intangible assets	Consolidated statement of comprehensive income	8,808	7,318
Depreciation – property, plant and equipment	Note 13	8,983	7,295
Depreciation – right of use assets	Note 12	8,402	7,849
Non-controlling interest	Consolidated statement of comprehensive income	85	113
Bank charges	Note 6	(552)	(629)
COVID-19 government subsidies claimed	Consolidated statement of comprehensive income	(9,231)	–
Adjusted operating costs		(67,595)	(62,618)
Revenue from contracts with customers	Consolidated statement of comprehensive income	373,538	326,463
Adjusted operating costs as a % of revenue		18.1%	19.2%

Adjusted operating profit

The Adjusted operating profit consists of the Operating profit as reported in the Consolidated statement of comprehensive income, adjusted for share option expense, costs of acquisition and integration and amortisation and impairment of intangible assets. In order to present the measure consistently year-on-year, the impact of investment income and COVID-19 government subsidies claimed are also excluded.

Calculation	Reference in Financial Statements	2020 €'000	2019 €'000
Operating profit	Consolidated statement of comprehensive income	41,119	21,542
Share option expense	Consolidated statement of comprehensive income	15,350	9,775
Costs of acquisition and integration	Consolidated statement of comprehensive income	2,650	4,348
Amortisation and impairment of intangible assets	Consolidated statement of comprehensive income	8,808	7,318
Investment income	Consolidated statement of comprehensive income	(1,437)	–
COVID-19 government subsidies claimed	Consolidated statement of comprehensive income	(9,231)	–
Adjusted operating profit		57,259	42,983
Revenue from contracts with customers	Consolidated statement of comprehensive income	373,538	326,463
Adjusted operating profit as a % of revenue		15.3%	13.2%

EBITDA

EBITDA comprises Operating profit as reported in the Consolidated statement of comprehensive income, adjusted for amortisation and impairment of intangible assets, depreciation, and deducting bank charges.

Calculation	Reference in Financial Statements	2020 €'000	2019 €'000
Operating profit	Consolidated statement of comprehensive income	41,119	21,542
Amortisation and impairment of intangible assets	Consolidated statement of comprehensive income	8,808	7,318
Depreciation – property plant and equipment	Note 13	8,983	7,295
Depreciation – right of use assets	Note 12	8,402	7,849
Bank charges	Note 6	(552)	(629)
EBITDA		66,760	43,375

Alternative performance measures continued

Adjusted EBITDA

Adjusted EBITDA comprises EBITDA, adjusted for share option expense, costs of acquisition and integration and non-controlling interest. In order to present the measure consistently year-on-year, the impact of investment income and COVID-19 government subsidies claimed are also excluded.

Calculation	Reference in Financial Statements	2020 €'000	2019 €'000
EBITDA	As above	66,760	43,375
Share option expense	Consolidated statement of comprehensive income	15,350	9,775
Costs of acquisition and integration	Consolidated statement of comprehensive income	2,650	4,348
Non-controlling interest	Consolidated statement of comprehensive income	85	113
Investment income	Consolidated statement of comprehensive income	(1,437)	–
COVID-19 government subsidies claimed	Consolidated statement of comprehensive income	(9,231)	–
Adjusted EBITDA		74,177	57,611
Revenue from contracts with customers	Consolidated statement of comprehensive income	373,538	326,463
Adjusted EBITDA as a % of revenue		19.9%	17.6%

Adjusted profit before tax

Adjusted profit before tax comprises Profit before taxation as reported in the Consolidated statement of comprehensive income, adjusted for share option expense, costs of acquisition and integration, amortisation and impairment of intangible assets, non-controlling interest, foreign exchange gains and losses, and unwinding of discounted liabilities. In order to present the measure consistently year-on-year, the impact of investment income and COVID-19 government subsidies claimed are also excluded.

Calculation	Reference in Financial Statements	2020 €'000	2019 €'000
Profit before tax	Consolidated statement of comprehensive income	32,494	17,371
Share option expense	Consolidated statement of comprehensive income	15,350	9,775
Costs of acquisition and integration	Consolidated statement of comprehensive income	2,650	4,348
Amortisation and impairment of intangible assets	Consolidated statement of comprehensive income	8,808	7,318
Non-controlling interest	Consolidated statement of comprehensive income	85	113
Foreign exchange (gain)/loss	Note 6	6,103	1,658
Unwinding of discounted liabilities – deferred consideration	Note 6	132	330
Investment income	Consolidated statement of comprehensive income	(1,437)	–
COVID-19 government subsidies claimed	Consolidated statement of comprehensive income	(9,231)	–
Adjusted profit before tax		54,954	40,913
Revenue from contracts with customers	Consolidated statement of comprehensive income	373,538	326,463
Adjusted profit before tax as a % of revenue		14.7%	12.5%

Adjusted effective tax rate

The Adjusted effective tax rate is the Taxation expense as reported in the Consolidated statement of comprehensive income, adjusted for the tax impact of the adjusting items in arriving at Adjusted profit before tax, as a percentage of the Adjusted profit before tax.

Calculation	Reference in Financial Statements	2020 €'000	2019 €'000
Adjusted profit before tax	As above	54,954	40,913
Taxation	Consolidated statement of comprehensive income	11,027	7,462
Effective tax rate before tax on adjusting items	Taxation/Adjusted profit before tax	20.1%	18.2%
Tax arising on bridging items to Adjusted profit before tax^		785	1,703
Adjusted taxation		11,812	9,165
Adjusted effective tax rate	Adjusted taxation/Adjusted profit before tax	21.5%	22.4%

^ Being mainly the tax impact of amortisation of intangible assets €1.8m, foreign exchange €1.2m, share option expense €0.7m, less COVID-19 government subsidies claimed €2.6m and investment income €0.3m, while in the prior year the tax impact was mainly due to amortisation of intangible assets €1.7m.

Adjusted earnings per share

The Adjusted profit after tax comprises the Adjusted profit before tax, less the Taxation expense as reported in the Consolidated statement of comprehensive income, adjusted for the tax impact of the adjusting items in arriving at Adjusted profit before tax.

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

Calculation	Reference in Financial Statements	2020 €'000	2019 €'000
Adjusted profit before tax	As above	54,954	40,913
Taxation	Consolidated statement of comprehensive income	(11,027)	(7,462)
Tax arising on bridging items to Adjusted profit before tax^		(785)	(1,703)
Adjusted profit after tax		43,142	31,748
Denominator (weighted average number of equity shares)	Note 8	70,800,455	65,081,403
		€ c	€ c
Adjusted earnings per share		60.93	48.78
Adjusted earnings per share % growth		24.9%	7.2%

^ Being mainly the tax impact of amortisation of intangible assets €1.8m, foreign exchange €1.2m, share option expense €0.7m, less COVID-19 government subsidies claimed €2.6m and investment income €0.3m, while in the prior year the tax impact was mainly due to amortisation of intangible assets €1.7m.

Alternative performance measures continued

Return on capital employed ("ROCE")

ROCE represents the Adjusted profit before tax (excluding net interest costs, unwinding of discounted lease liabilities and bank charges, and also adjusted to include pre-acquisition profits of current year acquisitions), expressed as a percentage of the capital employed. As the Group continues to make multiple acquisitions each year, the calculation further adjusts the Adjusted profit before tax and the capital employed as if all the acquisitions made during each year were made at the start of that year.

Capital employed represents Total equity as reported on the Consolidated statement of financial position adding back employee defined benefit plan liabilities, cumulative amortisation of intangible assets (customer relationships), acquisition related liabilities (deferred and contingent consideration), together with loans and borrowings, while deducting cash and cash equivalents.

Calculation	Reference in Financial Statements	2020 €'000	2019 €'000
Adjusted profit before tax	As above	54,954	40,913
Interest received	Note 6	(76)	(74)
Bank charges	Note 6	552	629
Interest expense	Note 6	1,071	934
Unwinding of discounted liabilities – lease liabilities	Note 6	843	694
Pre-acquisition profits of current year acquisitions	Note 27	9,399	151
Adjusted profit before tax including pre-acquisition profit and excluding net interest		66,743	43,247
Total equity	Consolidated statement of financial position	371,235	222,958
Employee defined benefit plans	Consolidated statement of financial position	2,693	2,049
Cumulative amortisation of intangibles assets (customer relationships)	Note 11	25,178	20,017
Deferred and contingent consideration	Note 18	20,802	6,035
Loans and borrowings	Note 20	195	59,751
Cash and cash equivalents	Consolidated statement of financial position	(103,070)	(41,827)
Capital employed		317,033	268,983
Return on capital employed	Adjusted profit before tax including pre acquisition profit and excluding net interest expense/capital employed	21.1%	16.1%

Free cash flow^

Free cash flow represents Net cash generated by/(used in) operating activities as reported in the Consolidated statement of cash flows, adjusted for acquisition and integration cash outlay, capital expenditure, net interest paid, payments of principal on lease liabilities and is presented both before and after taxation paid. In order to present the measure consistently year-on-year, the impact of investment income is also excluded.

Calculation	Reference in Financial Statements	2020 €'000	2019 €'000
Net cash generated by/(used in) operating activities	Consolidated statement of cash flows	76,420	32,781
Acquisition and integration cash outlay:			
Costs of acquisition and integration	Consolidated statement of comprehensive income	2,650	4,348
Fair value adjustments to contingent consideration	Consolidated statement of cash flows	66	(493)
Fair value adjustments to right of use assets	Consolidated statement of cash flows	(434)	–
Acquisition of property, plant and equipment	Consolidated statement of cash flows	(13,908)	(13,145)
Investment in intangible assets	Consolidated statement of cash flows	(259)	(391)
Investment income	Consolidated statement of comprehensive income	(1,437)	–
Interest received	Consolidated statement of cash flows	76	74
Interest paid	Consolidated statement of cash flows	(1,722)	(2,130)
Payments of principal on lease liabilities	Consolidated statement of cash flows	(8,170)	(7,355)
Free cash flow after tax		53,282	13,689
Taxation paid	Consolidated statement of cash flows	4,459	13,288
Free cash flow before tax		57,741	26,977

^ Please note Free cash flow is presented on a pre IFRS 16 basis as the Directors consider this to be more meaningful.

Adjusted free cash flow^

Adjusted free cash flow is a measure of cash flow adjusting for capital expenditure that is supporting growth in future periods (as measured by capital expenditure in excess of maintenance capital expenditure). In order to present the measure consistently year-on-year, the impact of COVID-19 government subsidies claimed is also excluded.

Calculation	Reference in Financial Statements	2020 €'000	2019 €'000
Free cash flow before tax	As above	57,741	26,977
Capital expenditure in excess of depreciation:			
Acquisition of property, plant and equipment	Consolidated statement of cash flows	13,908	13,145
Depreciation – property, plant and equipment	Consolidated statement of cash flows	(8,983)	(7,295)
Capital expenditure in excess of depreciation		4,925	5,850
COVID-19 government subsidies claimed	Consolidated statement of comprehensive income	(9,231)	–
Adjusted free cash flow		53,435	32,827

^ Please note Adjusted free cash flow is presented on a pre IFRS 16 basis as the Directors consider this to be more meaningful.

Adjusted cash conversion rate^

The Adjusted cash conversion rate is the Adjusted free cash flow as a percentage of the Adjusted profit before tax:

Calculation	Reference in Financial Statements	2020 €'000	2019 €'000
Adjusted free cash flow	As above	53,435	32,827
Adjusted profit before tax	As above	54,954	40,913
Adjusted cash conversion ratio	Free cash flow before tax and capital expenditure in excess of depreciation, as a % of Adjusted profit before tax	97.2%	80.2%

^ Please note the prior year has been adjusted to the current year presentation as the Directors consider this to be more meaningful.

Company information

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