TRULY IMMERSIVE

KEYWORDS STUDIOS PLC

2021 ANNUAL REPORT AND ACCOUNTS

START NEW CAMPAIGN?

YES
NO

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 solutions that turn extraordinary ideas into great interactive content.

We're on a mission to be the world's most trusted partner in technical and creative solutions for the video games industry and beyond. We will be a sustainable business that positively contributes to the environment and our communities across the globe.

Welcome to our open and evolving world that brings your stories to life!

BERTRAND BODSON
CHIEF EXECUTIVE OFFICER

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TRULY IMMERSED
MEET THE KEYWORDIANS

PRISCILA DE FREITAS CAIADO ALMEIDA
STUDIO HEAD FOR BRAZIL
TERESÓPOLIS, BRAZIL

LEVEL
72

PRISCILA

SKILLS:
MOTIVATING

GAME GENRE:
ACTION-ADVENTURE

STRENGTH:
COMMUNICATION – IT'S KEY TO BUILDING TRUST, AND WITH TRUST WE CREATE BETTER RELATIONSHIPS

KEYWORDS HIGHLIGHT:
DEFINITELY THE PEOPLE I WORK WITH EVERY DAY. TEAM AWESOME! MUITO FORTE! (WHICH MEANS "VERY STRONG")

ENERGY:
MORE GAME ACCESSIBILITY, INCLUSIVITY AND TECH INNOVATION

> I'm proud of growing our team in Brazil to be the best in the region

DELIVERING ANOTHER WINNING PERFORMANCE

FINANCIAL

REVENUE

€512.2m

21	€512.2m
20	€373.5m
19	€326.5m

+37.1%

ORGANIC REVENUE GROWTH*

19.0%

21	19.0%
20	11.7%
19	15.5%

+19%

EBITDA*

€85.7m

21	€85.7m
20	€66.8m
19	€43.4m

+28.3%

Margin 16.7% (2020: 17.9%)

ADJUSTED EBITDA*

€110.1m

21	€110.1m
20	€74.2m
19	€57.6m

+48.4%

Margin 21.5% (2020: 19.9%)

PROFIT BEFORE TAX*

€48.0m

21	€48.0m
20	€32.5m
19	€17.4m

+47.7%

ADJUSTED PROFIT BEFORE TAX*

€86.0m

21	€86.0m
20	€55.0m
19	€40.9m

+56.4%

Margin 16.8% (2020: 14.7%)

BASIC EARNINGS PER SHARE

45.16c

21	45.16c
20	30.32c
19	15.23c

+48.9%

ADJUSTED EARNINGS PER SHARE*

89.24c

21	89.24c
20	60.93c
19	48.78c

+46.5%

TOTAL DIVIDEND PER SHARE

2.15p

21	2.15p
20	–
19	0.58p**

+56.5%

* Alternative performance measures

**Interim dividend only

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 133 to 137.

STUDIOS IN 23 COUNTRIES

74

THE MISSION

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

Keywords Studios now has 74 studios, in over 40 cities, across 23 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.

AVERAGE NUMBER OF EMPLOYEES IN 2021

9,493

Q CONGRATS BERTRAND! CAN YOU TELL US ABOUT WHAT FIRST ATTRACTED YOU TO THIS ROLE?

Keywords presented such an interesting opportunity to someone with my background and it felt like the perfect match for me and my skillset. Over the years, I have spent much of my career leading on broader digital transformations, most recently at Novartis, and I have been fortunate enough to drive growth strategies across businesses of scale.

When I look at a business, I always look to join one that has strong underlying assets and that is certainly the case with Keywords. It has great foundations as a proven market leader that supplies almost all of the major developers in a sector that has huge growth potential.

That would be exciting enough but, on top of that, I believe the quality of the platform that's been built, and its attractiveness to potential partners and acquisition targets, provides the Group with a clear opportunity to continue to grow its services and scale in a global market for which service provision remains highly fragmented.

Put together, these offer a hugely exciting opportunity and I'm looking forward to leading the Group's ambitious team to deliver an ever more compelling proposition for the buoyant video games market, and beyond.

Q WHAT ARE THE SKILLS AND EXPERIENCES YOU BRING TO KEYWORDS?

What I bring to Keywords is a global outlook, experience of developing strategic partnerships, and the ability to drive the business forward while leveraging technology. I know the Board was keen to bring in an outside perspective to the business and to make a hire that matched their ambitions and I truly believe in their outlook for this incredible organisation.

While I have no direct video games experience, I have multiple years of digital transformation, technology, media and social experience. In addition, the Group already has over 10,000 passionate gamers and a strong team of industry experts in senior positions across the business and I really believe that my diverse experiences will help to bring a fresh perspective to the Group, as well as a strong strategic focus on leading Keywords to deliver an ever more compelling proposition for this buoyant market, and beyond.

Q WHAT ARE YOUR INITIAL IMPRESSIONS OF KEYWORDS?

While it is still very early days, I have spent much of my time meeting people across the business, visiting studios around the world and speaking to our clients and it has made a few things abundantly clear. First, Keywords is full of incredibly talented, experienced and entrepreneurial leaders who have a serious passion for video games and a clear desire to take this business forward.

Second, the Group is in an enviable market leading position, in a high growth industry that continues to move towards external service provision. Keywords has an impressive base of long-standing clients, with almost all the leading publishers and developers relying on us to help them get to market with their ever-advancing intellectual property to meet the exacting standards of video gamers today.

Third, while Keywords already has scale with over 10,000 talented people across the business, there are clear opportunities to build on the Group's strong platform to continue to drive significant and sustainable growth.

Q WHAT DO YOU SEE AS THE KEY OPPORTUNITIES FOR THIS BUSINESS?

Growing this business through selective acquisitions remains an integral part of the Keywords strategy and we continue to see an opportunity to build out our scale in Game Development which has strong growth prospects and is still undersized relative to what our customers spend on Game Development. We also want to continue to build out our marketing capabilities where our current offering only provides about a third of the services that our clients need in this area.

Elsewhere, we are always on the look-out for good quality businesses in our other service lines. A good example of this was the AMC Art acquisition in 2021, which gave us access to the talent pool in Romania and the potential to expand into Player Support and Testing in that country. We're constantly looking for businesses and people who are like-minded and share our drive and when it feels right we're really happy to bring them into our Keywords family.

Digital transformation is also a clear opportunity, and we are keen to explore technologies that we can bring in to make our services more efficient and deliver additional value for our customers, as well as to expand our services.

The business is fortunate to already work with 23 of the top 25 publishers. This allows us to build strategic partnerships with them, as we have a place at the table from which we can create and capture more value together.

We have amazing, talented people at Keywords and there has never been demand like there is today for our talent. So, we are looking at how we can continue to be a magnet for talent, what we can do to enhance career journeys at Keywords and how we can elevate the right people across our service lines to help propel us forward.

Finally, we are also keen to explore some adjacent market opportunities – we have already started building an internal Media & Entertainment Dubbing and Subtitling capability and there may be opportunities to build on this through M&A as the broader entertainment industries increasingly converge with the video games industry's models. We are also looking at how we could support developments in e-learning and the metaverse, as well as other areas, where we see a clear overlap between our skillset and service line capabilities.

BERTRAND BODSON
CHIEF EXECUTIVE OFFICER

Keywords staff of some 10,000 have very much put their collective "shoulder to the wheel"

THE GENERAL

ROSS GRAHAM CHAIRMAN
LEVEL 74
XP 8

This, my ninth Chairman's statement since Keywords' IPO in July 2013, looks back on another year of strong results and delivery on our strategy, and looks forward to one of re-energisation with new ambition.

The increase in revenues to €512.2m represented actual growth of 37.1% and Organic Revenue growth of 19.0%. Adjusted EBITDA grew 48.4% versus 2020, albeit assisted by a low level of costs as a result of COVID-19. While the final Adjusted PBT margin of 16.8% benefitted from these reduced costs, it nonetheless evidences our medium to long-term margin expectations of c.15% is very achievable.

The Group completed six high quality acquisitions in Australia, UK, Romania, and the US in 2021, extending its scale and capabilities to Game Development, Art Creation and Marketing, in line with our strategy to become the external provider of choice across all our service lines for our global client base and giving the Group Pro Forma Revenue of €528.5m as it exited 2021 (2020: €409.2m).

In the context of the Group's ongoing strong financial performance we are recommending a final dividend of 1.45p, giving a total dividend of 2.15p for the full year (having suspended our dividend programme in 2020).

Following the early retirement for health reasons of Andrew Day, I would like to express the Board's gratitude to all of Keywords' Senior Management Team for ensuring that the Group continued to deliver exceptional results in 2021 and for

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enabling a smooth transition to the appointment of Bertrand Bodson as the Group's new CEO in December 2021. In Bertrand, the Group has a new CEO whose talents, expertise and leadership skills are uniquely tailored to take Keywords forward for the next phase of its remarkable journey. Indeed, it is testimony to the unparalleled positioning of Keywords in the video games world that we have been able to attract someone of Bertrand's calibre.

My fellow Non-Executive Directors also deserve my thanks for their support in directing the business during the transition to a new CEO, and ensuring we had an effective CEO recruitment process. In addition, we have recruited two new Non-Executive Directors in anticipation of the retirements of David Reeves (Senior Independent Director and Chair of the Remuneration Committee) at the next AGM and of Giorgio Guastalla, the Keywords founder, as announced recently. In Marion Sears, who is going to take over the role of Chairman of the Remuneration Committee, and Neil Thompson we have, I believe, found two exceptional Directors who will be well able to provide the necessary support to the Executives. When David Reeves stands down at the next AGM, Charlotta Ginman will be appointed as Senior Independent Director; she has served with distinction on the Keywords Board for four years and is Chair of the Audit Committee. On behalf of the Board, I would like to thank David for his considerable contributions to the Group and to Giorgio; without him and his wife Teresa there would not be a Keywords. Given the changes to the Board during the year, the Board has requested, and I have agreed, that I extend my chairmanship by a year beyond a nine-year term, with the view to retiring at the 2023 AGM.

In a year when we have seen the transition of CEOs, the Keywords staff of some 10,000 have also very much put their collective "shoulder to the wheel". My thanks go to each and every Keywordian who has supported the business in the last 12 months.

In October 2021, an Executive Summit took place which was designed to act as a celebration of the achievements of Keywords over the last few years and to re-calibrate the strategic direction of the business. We were fortunate that Bertrand was able to attend the Summit and have his first taste of the culture, talent and ambition within the Senior Management Team. A further strategy conference is planned in the near future to build on the actions from the Executive Summit and to act as a springboard for Bertrand's vision on how the business should evolve.

As the Group continues to grow, Bertrand and the executive team will be focussed on driving operational efficiency, making better use of technology in the way services are delivered, and establishing a more strategic relationship with the major publishers, our clients.

Having completed his first 100 days at the helm of Keywords, Bertrand has already earned the respect of staff and customers alike. He is incredibly excited and enthused by the prospects for, and opportunities available to, the business and I share that enthusiasm. These opportunities are not limited to the video games industry, where Keywords now has a pivotal role in the way services are delivered, but also in adjacent markets where "gamification" know-how and expertise in effectively delivering content to multiple markets can have a real influence.

Indeed, I believe that Keywords has really only just started its remarkable story and will continue to go from strength to strength as it builds on its strong platform to grow organically and by acquisition.

Since the year end Sonia Sedler, our COO, has left the business and her role on the Board for personal reasons. Having joined the business as COO during the COVID-19 pandemic, Sonia became joint interim CEO with Jon Hauck at short notice when Andrew Day retired early. We are grateful for her contribution and she leaves with our best wishes for the future.

Summary

We have a strong and energized leadership team in place and are well positioned to continue to execute on our clear opportunities in the buoyant video games market, as we capitalize on the Group's unique full service platform, powered by our incredibly talented team of Keywordians. Our strong balance sheet will enable us to continue to execute on a healthy pipeline of acquisition opportunities, complementing our ongoing organic growth.

Ross Graham

ROSS GRAHAM CHAIRMAN

WE ARE FOCUSED ON THE FUTURE

THE PERFECT PACK

Strengthened platform in a growth market

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

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01 ACCESS TO A DYNAMIC GROWTH MARKET

We operate in a US$180bn industry, growing at an 8-9% CAGR. Within this, spend on our services is estimated at circa US$35bn, of which only US$11bn is externalised, leaving us with a substantial opportunity for growth. Our focus on content means we are platform agnostic and well positioned to take advantage of the opportunities presented by next generation consoles, mobile gaming, cloud streaming, AR/VR, and the metaverse. The increasing sophistication of video games and the development of new platforms all add to the complexity of the market, which drives demand for larger, professional, specialist external providers, such as Keywords, in a highly fragmented supplier market.

02 MARKET LEADING POSITION

As a digitally native company providing technology-enabled solutions, Keywords has a market-leading position as the only global provider of fully integrated 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.

03 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 use of our services. In addition, we have successfully completed 56 acquisitions since IPO. The six acquisitions completed in 2021 further bolstered our capabilities, particularly in Game Development, Marketing and Art services, while bringing us ever closer to our customers around the world.

04 OPPORTUNITY TO GROW FURTHER

Having made further progress in extending the Group's client base, market penetration, geographic footprint and service lines, we are looking to unlock the significant potential for increased cross-pollination of our service lines and geographic locations. This would include 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.

05

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 while 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.

06

ADJACENT MARKET POTENTIAL

Our expertise in providing technical solutions to the video games industry is already 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 digital 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.

07

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:

08

ACQUISITION PROGRAMME

Keywords continues to consider selective acquisitions in line with its objective to become the "go to" technical and creative solutions provider for the video games industry and beyond. Since its IPO in June 2013, the Group has successfully made 56 acquisitions which have significantly extended its geographic reach, capacity and expertise.

The Directors maintain a healthy pipeline of selected acquisition candidates which are considered value enhancing where they enlarge the Group's client base, market penetration and/or service lines and where the Group can use its existing expertise, multi-service platform, scale and global reach to generate synergies and increase profitability.

DIETRICH QUEMADO
REGIONAL DIRECTOR FOR SOUTHEAST ASIA
MANILA, PHILIPPINES

LEVEL
55

DIETRICH

SKILLS:
PROGRESSION

GAME GENRE:
FIRST PERSON SHOOTERS

STRENGTH:
PASSION FOR GAMES – I AM PROUD OF HOW MY ROLE IS HELPING OUR SERVICE LINES SUPPORT OUR CLIENTS. PRODUCT KNOWLEDGE AND EXPERIENCE IS VITAL TO THE SUCCESS OF ALL OF OUR EMPLOYEES

KEYWORDS HIGHLIGHT:
GROWING OUR MANILA STUDIO TO OVER 1,000 EMPLOYEES AND GETTING OUR FIRST CERTIFICATION FOR GREAT PLACE TO WORK

WISDOMS:
FOCUS ON GOALS, NEVER GIVE UP, YOU CAN ALWAYS PAUSE, TAKE A STEP BACK OR RESPAWN, AND HAVE LOTS OF FUN

// **I see Keywords as progressive in adapting and aligning itself to an ever-evolving video games industry**

I am delighted to have joined Keywords at a time when the business is performing so well

THE TACTICIAN

BERTRAND BODSON CEO
LEVEL 46
XP <1

The Group has delivered strong organic growth, driven by high levels of demand for our services, and further extended our capabilities, reach and scale through selective acquisitions.

While it is early days for me as a Keywordian, I have spent a great deal of my time meeting people across the business, visiting studios around the world and speaking to our clients and it has made a few things abundantly clear.

First, Keywords is full of incredibly talented, experienced and entrepreneurial leaders who have a serious passion for video games and a clear desire to take the business forward.

Second, the Group is in an enviable market leading position, in a high growth industry that continues to move towards external service provision and for which access to talent is becoming ever more critical. Keywords is proud to count almost all the leading publishers and developers as its clients and proud also that these longstanding clients put their trust in Keywords to get their ever-advancing content to market and to meet and exceed the exacting standards of video gamers today.

Third, while Keywords already has scale with over 10,000 talented people across the business there are clear opportunities to capitalise on the Group's unique full service platform to continue to drive significant and sustainable growth.

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I'll come on to set out some initial thoughts on ways in which we can continue to deliver an ever-more compelling proposition globally for our partners in the buoyant video games market, and adjacent content industries, and to invest in the platform and our people to build further on the Group's successful organic and acquisitive growth track record.

We are very mindful of the tragic events in Ukraine, which we are deeply saddened by and our thoughts are with all those affected. While we have no operations in Ukraine, our US Game Development business, Sperasoft, continues to operate from Russia but entirely focused on critical work for non-Russian clients. In parallel, and in close partnership with our clients, we have been actively looking at relocating work to other locations across the Group, benefiting from our global footprint (including in Poland, across Europe, and the Keywords network more broadly). We are monitoring the situation very closely, and I will come on to provide more detail on our support for both our people and others that have been affected in the region. Our colleagues across the region are all valued members of Keywords and our priority is to do all that we can to support our people, and freelancers, wherever they are located, while contributing to wider humanitarian efforts in the region.

The Group has started 2022 well, with strong demand across all of our service lines. We are very confident in the Group's opportunity for growth as we continue to capitalise on our clients' focus on selecting the right external services provider, increased expenditure on content creation in a growing video games market, and our ability to increase our market share both through organic growth and the execution of our acquisition strategy.

Excellent growth supported by a buoyant video games market

Keywords delivered a strong performance in FY2021, with revenues up by 37.1% to €512.2m. Organic Revenue for the Group, which excludes the impact of acquisitions and currency movements, grew by 19.0% in 2021 (FY 2020: 11.7%), with all service lines performing well against the comparative period. This strong performance reflects the high levels of demand for all service lines, driven by the buoyant video games market, the industry's focus on new content creation, the continued trend in the industry towards external service provision supported by a softer comparative in the first half of 2020 when the Group experienced disruption to our services at the earlier stages of the COVID-19 pandemic. The Group's strong organic growth was complemented by contributions from the six acquisitions we completed through the year.

While all of our service lines experienced growth, our Marketing and Game Development service lines delivered exceptional growth, of 151.1% and 73.6% respectively, reflecting strong organic performances (33.7% and 16.0% respectively) complemented by contributions from acquisitions. These service lines have been a particular focus of our acquisition strategy in recent years and, as they have a significant role at the earlier stages of a video game's development cycle, have benefitted through the year from the industry returning to focus on creating new content to keep its expanding player base engaged in exciting new games. The performance by each service line is set out in more detail later in this review.

The Group's Adjusted PBT increased by 56.4% to €86.0m, representing a 2.1% pts improvement in margin to 16.8%. This reflected operational leverage and continued good cost control, and the benefit of reduced costs due to COVID-19, primarily relating to remote working and reduced property, travel and business development costs, which we expect to return with the anticipated easing of restrictions in 2022, alongside further investment in our platform and people.

Our robust business model has ensured this profit performance translated into strong cash generation, with €92.3m of Adjusted Free Cash Flow (FY 2020: €53.4m) representing a 107.3% Adjusted Cash Conversion rate in the period (FY 2020: 97.2%). This demonstrates the strong cash-generating characteristics of the business and provides the Group with further resources to continue to invest in the business and fund our acquisition strategy.

We are exceptionally proud of the efforts of our talented Keywordians who have worked tirelessly throughout this period to support our clients while continuing to deliver the excellent quality of service for which we are known.

Delivering on our strategy

The continued buoyant demand for video games, our clients' renewed focus on content creation and the impetus for external service provision have only accentuated the opportunities afforded by our strategy.

In a fragmented market characterised by predominantly local, single-service providers, Keywords continues to build its market-leading services platform and cement its position as the partner of choice for games publishers and developers when looking for global reach and deep expertise in video games. This, together with the scale to deliver the quality, flexibility and security of service required to meet high levels of demand for ever more sophisticated and immersive content, differentiates Keywords from its competitors. We continue to leverage the unique breadth of our platform by bringing the right combination of capabilities to support customers' individual objectives, enabling us to cross-sell a broader range of our services.

The strength and breadth of our platform is enabling us to capitalise on increased demand for our services due to a number of key trends in our market:

- The industry's focus returning to content creation in 2021, having had to concentrate on the monetisation of existing content due to production constraints across the industry in the earlier stages of the pandemic
- The number of players and amount of game play having expanded during the pandemic
- The shift towards "Games as a service", which requires ongoing content expansion to continuously deepen the gaming experience and extend the lifespan of a game, creating higher levels of continuous activity
- The launch and subsequent maturing of the next generation games consoles, PlayStation 5 and Xbox Series X/S. While the launch of the new consoles has been held back by supply constraints, we are seeing a refresh of the entire console-based gaming sector after a seven-year run of the PS4 and Xbox One console generation, which we expect to result in an enlarged market for video games content over the coming years and an associated demand for new content creation
- Further development of new and existing video games streaming platforms increasing demand for both content generation and ongoing in game support

We continue to invest in the business, both organically and through targeted acquisitions to position the Group as an increasingly strategic partner to our clients and as the "go to" provider to the video games industry across our service lines and key geographies.

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During the year, we have invested in new studios in Bangalore and Manila, as well as in two new studios in second-tier cities in China, and refurbished some of our sites while the studios have been quieter, to support our growth today and into the future. We have upgraded and expanded studios in a number of locations including Quebec, Austin, Los Angeles and Tokyo and brought together certain studios where consolidation into one, larger space made sense, in Los Angeles and Milan. We also agreed leases for new, expanded facilities in Katowice, Warsaw and Ottawa that will support expansion in the current financial year.

We are also delighted to have welcomed six new businesses to the Keywords family in 2021. Heavy Iron Studios, Tantalus, Climax Studios and Wicked Witch add substantial scale and capabilities to our Game Development service line as well as reach into, and access to talent in, the US West Coast and Australia. AMC adds significant expertise to Art Creation and a new presence in Romania for the Group, from which we can access a new talent pool and build out our other service lines. We have also continued to enhance our Marketing service line, which we split out as a standalone service line for the first time at the interim results in September, having completed the acquisition of Waste Creative, a London-based studio, at the end of the year. Waste Creative brings expertise in strategy and creative production services, including player community management, for mobile video game creators, which will help us meet the growing demand from our clients for games as a service marketing support with a focus on community growth and fan retention. We continue to actively review a healthy pipeline of further acquisition opportunities.

Evolving our strategy

One of the things that attracted me to Keywords was the Board's vision for the business; I share its plan to grow the platform on a global scale and I believe Keywords has huge potential in the video games industry, and that it can also operate just as effectively in many adjacent content sectors.

I am privileged to have joined a business that has such strong foundations in that it is already a proven market leader with unrivalled scale, reach and range of capabilities across its 74 studios in 23 countries. It also already supplies almost all of the major developers in a sector that has huge growth potential.

The quality of the platform that has been built, and its attractiveness to potential partners and acquisition targets, provides the Group with a clear opportunity to continue to grow its services and scale in a global market for which service provision remains highly fragmented.

I'm looking forward to leading the Group's ambitious team to deliver an ever more compelling proposition for the buoyant video games market, and beyond.

As part of my first 100 days programme in the business, I have been looking at how we build on the Group's incredibly strong foundations to take it forward to new levels of scale and success.

Right at the start of this process, I brought 60 leaders from across the business together as part of my induction, to ensure we drive the evolution of the strategy together. Working closely with them, we have launched five workstreams across the business to kickstart the process for taking Keywords to the next level, as follows:

1. **Strategic partnerships:** As we enter 2022, Keywords has over 900 clients and 23 of the top 25 publishers are our customers. Moving forward, we will look to build on these relationships so we can create and capture more value together. To do this, we will ascertain the areas in our service line offering that are currently missing so we can continue to build the platform of choice for our clients and learn how Keywords can be an increasingly attractive strategic partner which should in turn enable us to capture more value. Also, we are re-examining our various "customer propositions" to ensure a proper correspondence between the services we can provide and the value customers should expect.
2. **Technology:** We will explore how to deploy the right tools and technology to enable our studios to continue to enhance their performance so that they can bring more value to our clients, while at the same time ensuring our internal operational structures can scale to support Keywords' growth ambitions.
3. **Adjacent markets:** We continue to examine opportunities in adjacent sectors and our work in the broader media and entertainment sector with Netflix 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 this most interactive of all mediums, as gamification is increasingly seen as a route to delivering content in a more engaging way for a whole range of applications including education, retail and construction, and, of course, for the many potential applications in the metaverse.
4. **One Keywords:** Keywords has a unique and entrepreneurial culture and is full of highly talented, driven people across many different geographies. It remains vital that we retain this core of "One Keywords" that will help us to keep growing. So, we are looking at how we can preserve this entrepreneurial culture, while continuing to build an operational backbone that supports the growth of the business into the future thereby enabling us to take advantage of all the different skill sets across the business.
5. **Talent:** In 2021, we grew the number of people in this business to over 10,000 at the end of the year, which makes it clear that this business is able to attract talented people. Our employee net promoter score (eNPS) increased to 42 last year (from 22 in 2020), demonstrating high levels of engagement and satisfaction. Despite this, there has never been demand like there is today for talent in this industry. As such, we are looking at how we can continue to be an attractive destination for talent, what we can do to enhance career journeys at Keywords and how we can elevate the right people across our service lines to help propel us forward.

We will provide a further update on our progress with these five strategic work streams, as well as some of the outcomes, at our Capital Markets Day in London this Summer (8 June 2022).

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Evolving our ways of working

Our remote working capabilities remain highly effective, enabling us to support customers for as long as remote working is needed, and where returning to studios is not feasible. As restrictions lift around our geographies and, having consulted those who really matter– our Keywordians – we are now adopting a hybrid model of offering vibrant, engaging and safe studio space, while also enabling our people to work securely and constructively from home.

There remains a clear role for physical studios for the Group, particularly to support a strong, collaborative culture and enhance the exchange of creative ideas, for training, and in our Testing and Audio service lines, where certain clients continue, for reasons of security, to prefer a studio-based service. We have, therefore, continued to invest in new studios and to refurbish some of our sites while the studios have been quieter, to ensure our studios remain attractive places for our people to come together.

Commitment to improving diversity across the video games industry

Responsible business

We remain committed to conducting our business responsibly and operating to the highest levels of honesty, integrity and ethical conduct.

Having set out in 2020 our five priority areas of People (including DE&I), Customer Centricity & Innovation, Communities and the Planet, underlined by Corporate Governance and Business Ethics, we have continued to make progress with these in 2021.

We have received a rating of 'A' (on a scale of AAA-CCC) in our 2021 MSCI ESG Ratings assessment, which has improved from BBB previously. This rating, which analyses our resilience to long-term, industry material environmental, social and governance risks, was pleasing but clearly shows there is more we can do if we are to become a leader within the industry.

Leading this work is our ESG Committee and we were pleased to announce in 2021 that in addition to Bertrand Bodson, both of our most recently appointed Non-Executive Directors, Marion Sears and Neil Thompson, have joined the Committee, bringing strong expertise and experience to this important area of focus for the Group.

The gender diversity of our business is a focus for the Board and we monitor appointments by gender. The diversity of our Board changed in 2022 due to changes to the Board's composition. Following the departure of Sonia Sedler, female directors now represent 25% of the Board but this percentage will rise to 29% when David Reeves retires at the forthcoming AGM and we will continue to consider diversity as part of our decision making in any future appointments.

We have also shown our commitment to improving diversity across the video games industry by entering into a partnership with Women in Games in 2021, which sees Keywords help power their 500 strong Ambassador programme across 52 countries, allowing us to be more active in addressing the underrepresentation of women in our industry. Women in Games is a not-for-profit organisation founded in 2009, with the mission to identify and effect the lasting change needed to bring about full gender equality, equity and parity of opportunity within the gaming sector and to encourage more women to consider games and eSports as a career.

With this partnership now established, we have a number of planned initiatives to leverage our global platform and client relationships in 2022 and beyond to enhance and accelerate the popular ambassador initiative, enabling it to scale through additional projects and research, events, exclusive materials and services for Women in Games ambassadors.

Following the quantification of our greenhouse gas emissions for the first time in 2020, in 2021 we have developed the Group's first Environmental Policy covering our energy and recycling practices. The policy will help further develop our Sustainable Studios programme and support our studios in their efforts to minimise energy usage and to reduce, recycle and reuse wherever possible.

As we look to achieve net zero carbon emissions, we recognise these initiatives for Sustainable Studios will take time. Therefore, we will initially offset our carbon impact with credits towards the Ntakata Mountains REDD+ project, which protects forests. The revenue earned from the sale of certified carbon credits is paid directly to forest communities in Tanzania, empowering them to manage their own development needs.

We continue to work hard to make Keywords a great place to work, with some of our initiatives recognised through accolades such as Manila having been certified by Great Place To Work® Philippines, Keywords being named among Ireland's 150 Best Employers for 2021 and a number of our UK studios winning UK GamesIndustry.biz Best Places To Work Awards during the year. Since the year end, we were delighted that Keywords Studios in Mexico has been awarded the Socially Responsible Company (SRC) badge.

We also launched various initiatives to help support colleagues, including through COVID-19 vaccine clinics which, for instance, have provided vaccines for colleagues and their families in India, support for colleagues impacted by the hurricane in New Orleans, including re-housing some of our colleagues, and through the hardship fund that we launched at the beginning of the pandemic to support colleagues experiencing financial hardship as a result of COVID-19.

Following recent events, supporting our people as the humanitarian crisis unfolds in Ukraine is our top priority. We have established an employee hardship fund to provide support to the small number of colleagues directly impacted by this crisis.

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We are also doing all that we can to provide broader support to those affected by the tragic situation in Ukraine. We have boosted our corporate social responsibility (CSR) fund to €250k, which we will dedicate to humanitarian causes in support of Ukraine. We are also creating jobs for refugees as they move into neighbouring countries, and we are providing support at the Ukrainian border through the donations of essential items.

Further updates will be made on the progress we are making against our five priority areas at our Capital Markets Day later this year.

Outlook

Trading in the first quarter has started well, and we continue to see strong demand across all of our service lines. We expect the Group's trading momentum in the second half of 2021 to continue through 2022, with the increased flow of content to our later stage service lines alongside further strong demand for our earlier stage services such as Game Development, Art Creation and Marketing.

Financial strength to invest in our platform

The underlying video games market remains buoyant, with 2022 expected to be a particularly strong year for new game launches, as developers and publishers look to capitalise on higher player numbers and create ever more sophisticated content to engage players in their games for longer.

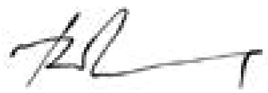
While we are not immune to the inflationary pressures and competition for talent being seen in some of our earlier stage services lines, we are well positioned to continue to attract skilled professionals due to the unrivalled, sustained variety of exciting work we do for our clients and the opportunities for career advancement and working internationally we are able to offer, and we will continue to take account of our costs as we agree projects with our clients, who are well aware of the industry-wide talent challenge.

Our flexible hybrid working model is now well established across all of our service lines and 70+ locations, and with the lifting of restrictions around the world, we will see studios reopen and the previously experienced limitations in some service lines removed. We are encouraged by the number of Keywordians returning to studios around the world and look forward to seeing levels increase in the months to come.

Notwithstanding the situation in Russia, given the strong underlying trading across the Group aided, in part, by favourable currency movements, we are confident of delivering a performance for the full year towards the top end of current market expectations.

As we continue to build our platform, we are actively reviewing acquisitions that would add expertise, particularly in Game Development and Marketing, access to talent or technology, while retaining an interest in adjacent markets such as media and entertainment, which are increasingly converging with video game development technology and marketing strategies.

The Board is confident Keywords remains well placed to continue its rapid growth and in its long-term success thanks to its strong position in a buoyant video games market, its increasingly sought after 10,000-people strong resource base, its robust business model with a diversified range of services that are well balanced across the video games development cycle, and the financial strength to invest in our platform and people to build further on the Group's successful organic and acquisitive growth track record.



BERTRAND BODSON
CHIEF EXECUTIVE OFFICER

Resilient and growing

Consumer spending on video games has remained resilient with 2021 marking the industry's biggest year yet. Even after delivering 20% growth in 2020, games industry analysts Newzoo estimate 2021 will still have grown by 1.4% year on year. Looking forward, Newzoo forecast an overall industry growth CAGR of 8.7% (previously 9.4%) with revenue forecast to increase to $218.8bn by 2024 (Source: Newzoo Global Games Market, for the period 2019-2024 issued in January 2022).

Keywords has continued to experience strong demand given the content "deficit" created between the expansion in game playing in 2020-2021 and the rate of content development. Added to the well-publicised delays in AAA content, we believe the pent-up demand for new content will result in sustained demand for our services in 2022 as publishers and developers continue to focus on content production to capture the increased player engagement.

Increasing trend to external partnerships

Keywords is benefitting from both a structural trend to external partnerships from video games publishers and developers 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 cycle requires significant and skilled resources to deliver ever expanding complex projects to a tight timeline. This is resulting in a trend towards increasing partnerships 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 external services 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 are able to respond flexibly to increasingly large-scale projects from our customers.

Addressable market

Following work completed with the research company IDG, we now see a maximum addressable market for video game content for Keywords, excluding the domestic China market, of ~US$35bn. External service providers account for ~US$11bn of this work today, or circa one third of the market.

The total addressable market is expected to grow broadly in line with industry growth; however, within this, IDG forecast the trend towards external providers to grow closer to 10% as the level of technical support needed increases. With both game development and art & marketing remaining the most internalised services, IDG expect these areas to see the most growth for external service providers in the coming years.

Game Development, our largest service line, has the largest addressable market with an estimated value of ~$17bn. Less than 20% of game development services are supplied by external service providers.

Art & Marketing, which together account for almost 20% of our revenues, is estimated to be valued at over US$8bn, with just ~40% of these services currently supplied by external service providers.

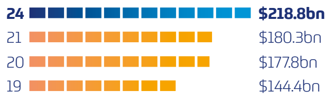
At the Keywords Capital Markets Day this summer, we will provide further granularity on this overall addressable market, the opportunities we see and market dynamics across key service lines.

Adjacent market opportunities are increasing too, as video game technologies are also being used in other markets including e-learning, film and TV. The demand from content providers to make their content ever more interactive, impactful and engaging continues to grow.

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.

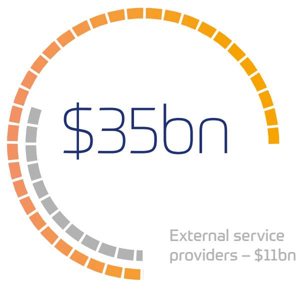
Keywords is uniquely placed to support our customers' needs.

GLOBAL GAMES REVENUES FORECASTED TO REACH $219BN BY 2024



MARKET OPPORTUNITY

EXTERNAL SERVICE PROVIDERS



Creating value and growth through

OPERATIONAL EFFICIENCY

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.

Our business model in brief

01

WHAT WE DO

GAME DEVELOPMENT CYCLE

See pg_17

02

CREATING VALUE FOR STAKEHOLDERS

See pg_18

03

BARRIERS TO ENTRY

See pg_19

01

WHAT WE DO

GAME DEVELOPMENT CYCLE

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

Service line integration

- Art Services
- Marketing Services
- Game Development
- Audio
- Functional Testing
- Localization
- Localization Testing
- Player Support

01 PRE-PRODUCTION

Concept art, level design and game design.

02 EARLY-STAGE GAME DEVELOPMENT

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

03 LATER-STAGE GAME DEVELOPMENT

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

04 LAUNCH

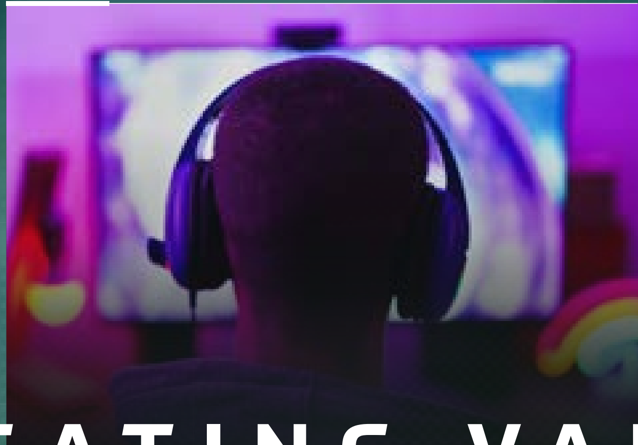
Certification testing, official game trailers, soundtrack publishing, marketing services and customer acquisition.

05 ONGOING LIVE OPERATIONS SUPPORT

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

06 NEW CONTENT FOR GAMES

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



02 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 external services.
- 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.

CAGR IN ADJUSTED EPS SINCE 2014*

40%

CUSTOMERS

- Keywords' involvement across the video games cycle means that we can provide an end to end solution for our global customers.
- Match customer requirements with a combination of on-demand and dedicated service facilities.
- Wide geographic reach to talent and a flexible resource model.
- Multiple opportunities for cross-selling and revenue growth.

CUSTOMERS USING THREE OR MORE SERVICES
(UP FROM 30 CUSTOMERS IN 2014)

133

EMPLOYEES

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

AVERAGE NUMBER OF EMPLOYEES
(UP FROM 978 IN 2014)

9,493

* Before acquisition and integration expenses, share option charges, amortisation of intangibles, and foreign currency effects.

SCALE AND FLEXIBILITY

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

REPUTATION FOR QUALITY

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

KNOWLEDGE AND EXPERTISE

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

03 BARRIERS TO ENTRY

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 while remaining close to our customers.

TECHNOLOGY

Necessity of regular investment in technology and security makes it difficult for smaller suppliers to compete. The importance of resilience and security is 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.

To cement our position as the "go to" technical and creative services provider for the global 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 serve our client base better across all platforms, key geographies and languages, with a full range of services and solutions.

By investing in expanding capacity, capability and technology 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 in an otherwise highly fragmented market.

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

BUILDING OUR PLATFORM

Progress in 2021

– We continued to grow our service lines, as we cement our position as the "go to" provider in each of our respective sets of services.

– Our largest service line, Game Development, benefitted from further organic expansion of studios, as well as the geographic expansion into Australia.

– Expanded the reach of our art capabilities with an acquisition in Romania that also gives Keywords the potential to access talent for our testing and Player Support service lines.

– Expanded and grew our global testing capabilities in new facilities (Pune and Bangalore) and existing locations in Katowice and Mexico City, improving further our access to important talent pools.

– COVID-19 highlighted the continued resilience of our platform, with ~9,000 Keywordians working from home at the end of 2021.

Priorities in 2022

– In 2022, we will continue to build and enhance our platform so we are increasingly a strategically important partner to our customers.

– Increased focus on building out common standards for each service line.

– Marketing services should see further acquisition opportunities, as we continue to widen the range of services and capabilities we can offer and expand the geographies we cover.

– Additionally, we see opportunities for selective acquisition in art and adjacent markets such as media and entertainment.

– We anticipate a further gradual return to the office in 2022, while engaging with customers and employees on retaining a mix to these new ways of working where security and productivity considerations allow.

– 2022 will also see investment as we develop our platform to service our clients' projects across our expanding multi-service global platform.

Measures of our success

8
service lines, up from two in 2009

5
continents in which we have operations. We now have 39% of our people in North America and South America, 30% in Europe and 31% in Asia and Australia

9,493
average number of employees in 2021

SELECTIVE ACQUISITIONS AND INTEGRATION

Progress in 2021

– Completed six acquisitions during the year, adding to our existing scale and capabilities in game development, marketing and art.

– These acquisitions are being integrated within the service lines as well as within the country and regional management structures and within our global finance, accounting, HR and IT functions.

– Expanded our presence into Australia with two acquisitions in Melbourne that provide access to important talent pools.

– Made good progress with integrating prior period acquisitions, which are making good contributions to the Group.

Priorities in 2022

– The Group's acquisition programme continues to be an important strategic pillar and we anticipate that 2022 will again contain a number of acquisitions.

– Aim to continue the pace of acquisitions, investing between €50m to €100m per year.

– Our service lines are ever developing and will continue to make selective acquisitions that further enhance and extend each service line's capabilities in 2022, particularly in Marketing, Art and Game Development.

– We are mindful of the integration challenges and therefore aim to spread acquisitions across our existing geographies and across service 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 2022 as we continue our focus on enhancing our capabilities in regions where we already have a presence.

Measures of our success

€126m
maximum consideration for acquisitions in 2021

6
acquisitions completed in 2021. All are successfully being integrated into our platform

56
acquisitions since IPO from 2020

ORGANIC GROWTH AND CROSS SELLING

Progress in 2021

– Organic Revenue grew by 19.0% in 2021 (2020: 11.7%).

– Strong organic growth performance given the continued disruption from COVID-19 and the resulting disruption to content production in the industry.

– Strong growth across all service lines, reflecting high levels of demand for our services, driven by the buoyant video games market and the industry's focus on new content creation.

– Continued to expand our client relationships by making good progress with cross-selling our services. In 2021, the number of clients buying three or more services from us increased once again, to 133 from 120 in 2020.

Priorities in 2022

– Organic growth remains our priority focus and we expect to grow faster than the market for our services as we benefit from the industry's move towards external service provision and capture market share.

– Building strategic partnerships with our clients, so that we can create and capture more value together.

– Reviewing our customer propositions.

– Looking to benefit from a continued increase in demand for new content following COVID-19 disruption 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.

Measures of our success

19.0%
Organic Revenue growth

1,017
customers in 2021, up from 968 in 2020

133
customers using three or more service lines. Up 11% from 2020

ADAM RUSH
QA PARTNERSHIP MANAGER
MONTREAL, CANADA

LEVEL

64

SKILLS:
VERSATILITY

GAME GENRE:
ROLE-PLAYING

STRENGTH:
CLIENT CENTRICITY – THE MORE WE CAN ALIGN OUR PROCESSES TO A PARTNER, THE EASIER IT IS FOR US TO FEEL LIKE AN EXTENSION OF THEIR ORGANISATION, AND THE EASIER IT IS FOR KEYWORDS TO GROW WITH THEM

KEYWORDS HIGHLIGHT:
I'M IMMENSELY PROUD OF THE GROWTH OF OUR GLOBAL BETA TESTING NETWORK THAT WAS LAUNCHED MORE THAN 10 YEARS AGO. THIS TEAM CONTINUES TO COMPLETE COMPLEX CLIENT REQUESTS WITH SUCCESSFUL BETA INITIATIVES

ENERGY:
AS AN AVID GAMER, IT FEELS AWESOME TO BE BEHIND THE CURTAIN ON WHAT IS COMING NEXT

What gets me out of bed in the morning is solving a partner's problems

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

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01 REVENUE GROWTH

37.1%

21	37.1%
20	14.4%
19	30.2%

Reasons for choice

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

How we calculate

Increase year on year in reported revenue.

Objectives

The Group aims for continued revenue growth and development.

02 ORGANIC REVENUE GROWTH

19.0%

21	19.0%
20	11.7%
19	15.5%

Reasons for choice

Due to the number of acquisitions the Group makes and because it integrates them quickly, this provides the most meaningful measure of underlying revenue growth without the distortion of foreign currency movements.

How we calculate

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.

Objectives

The Group aims to achieve Organic Revenue growth ahead of market growth.

03 GROSS MARGIN

39.1%

21	39.1%
20	38.0%
19	36.8%

Reasons for choice

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

How we calculate

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

Objectives

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

04 ADJUSTED OPERATING COSTS AS A % OF REVENUE

17.6%

21	17.6%
20	18.1%
19	19.2%

Reasons for choice

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

How we calculate

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

Objectives

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

* 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.

Page 2/2

05 ADJUSTED EBITDA MARGIN

21.5%

21	21.5%
20	19.9%
19	17.6%

Reasons for choice

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

How we calculate

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

Objectives

The Group aims to increase margins through operational efficiencies.

06 ADJUSTED PROFIT BEFORE TAX MARGIN

16.8%

21	16.8%
20	14.7%
19	12.5%

Reasons for choice

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

How we calculate

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

Objectives

The Group aims for margins in line with historic norms.

07 ADJUSTED CASH CONVERSION RATE

107.3%

21	107.3%
20	97.2%
19	80.2%

Reasons for choice

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

How we calculate

Adjusted free cash flow before tax as a percentage of the adjusted profit before tax. The calculation is described in more detail on page 137.

Objectives

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

08 GROWTH IN ADJUSTED EPS

46.5%

21	46.5%
20	24.9%
19	7.2%

Reasons for choice

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

How we calculate

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

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

Objectives

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

* In 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.

MANVENDRA SHUKUL
CEO, LAKSHYA DIGITAL
GURGAON, INDIA

LEVEL
75

MANVENDRA

SKILLS:
DEVELOPMENT

GAME GENRE:
ADVENTURE

STRENGTH:
POSITIVITY IS A KEY ELEMENT TO HOW WE CONDUCT OUR BUSINESS AND MANAGE THE TEAM. A POSITIVE ATTITUDE HELPS ME FIND SOLUTIONS

KEYWORDS HIGHLIGHT:
CONTINUING TO EXPAND OUR PRESENCE IN INDIA AND WORKING TOWARDS MAKING INDIA THE BACKBONE OF KEYWORDS' GROWTH

ENERGY:
CREATING TEAMS AND NEW BUSINESSES

Keywords gives me the independence to do what I think is right for the business

GATEWAY TO GROWTH

All our service lines grew well during 2021, despite the ongoing impact of the pandemic and the operational challenges it continues to present.

The following table provides a summary of our revenues by service line, with growth rates on a reported and Organic Revenue growth basis.

Revenue	% of 2021 Group revenue	2021 Revenue €m	2020 Revenue €m	Change from 2020 %	2021 Organic Revenue growth %	2021 Pro Forma Revenue €m	2021 Average number of operational staff by service line
Art Creation*	9.6%	49.3	38.9	26.7%	24.4%	50.9	1,309
Marketing*	9.0%	46.2	18.4	151.1%	33.7%	52.4	189
Game Development	27.1%	138.9	80.0	73.6%	16.0%	147.4	1,396
Audio	12.0%	61.3	47.2	29.9%	27.4%	61.3	245
Functional Testing	18.1%	92.7	78.5	18.1%	17.2%	92.7	2,996
Localization	9.9%	50.8	45.4	11.9%	12.2%	50.8	382
Localization Testing	5.3%	27.1	23.3	16.3%	16.7%	27.1	646
Player Support	9.0%	45.9	41.8	9.8%	12.7%	45.9	1,702
Total	100.0%	512.2	373.5	37.1%	19.0%	528.5	

*The prior year comparatives have been re-classified to separately report Marketing services, previously reported within the Art Creation service line.

SELECT LEVEL

ART CREATION → 26
MARKETING → 27
GAME DEVELOPMENT → 28
AUDIO → 29
FUNCTIONAL TESTING → 30
LOCALIZATION → 31
LOCALIZATION TESTING → 32
PLAYER SUPPORT → 33

Art Creation

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

FY 2021 performance

Art Creation performed well with revenues up by 26.7% to €49.3m (FY 2020: €38.9m). Organic Revenue, which excludes the impact of currency movements and acquisitions, grew by 24.4% for Art Creation, following a continuation of strong underlying client demand across all art studios.

This strong performance was driven by exceptional growth in India where the studios were able to effectively manage the increased demand by rapidly hiring new talent, something that is not as easily replicated in other markets. In other territories, our North American studios also benefitted from remote working and the ability to extend remote teams through freelancers and sister studios, which enabled studios to meet the increased demand in the market.

We have continued to expand this service line, with the addition of two new studios in second-tier cities in China and new studios in Bangalore and Manila, which provide us with additional access to talent to support the work for our clients.

In August, we added the Group's first presence in Romania through the acquisition of AMC. AMC is a long-established, high-quality specialist art studio servicing both US and European clients and we believe it will add significant expertise and experience to this service line, as well as access to an attractive market for talent in Romania.

The market opportunity and outlook

Art Creation operates in a large addressable market, which remains highly fragmented. Increasingly, clients seek partners who are able to deliver higher value solutions through more creative, technical, and managed services.

Our clients' needs also continue to evolve and we expect the demand for real-time 3D art to grow through the year ahead and beyond. While it is very early days we expect that the development of the metaverse will drive even more demand for digital and related content and we are committed to helping our clients navigate through this opportunity.

This year, we have already seen many more cross studio and cross-service line collaborations and we expect Art Creation to continue to deliver strong growth in 2022 with our global platform positioning Keywords in a strong position to scale up to meet continued buoyant client demand.

% OF GROUP REVENUE FOR THE YEAR

2021 REVENUE

€49.3m

+26.7%

2021 ORGANIC REVENUE GROWTH

24.4%

2021 PRO FORMA REVENUE

€50.9m

AVERAGE OPERATIONAL STAFF

1,309

Marketing

Following its recent growth and scale within the Group, Marketing was reported as a standalone service line for the first time at the interim results in September 2021, so this represents its maiden year as a separately reported service line.

Marketing services includes PR and full brand campaign strategies, game trailers and marketing art and materials, which we are building through acquisitions, and subsequent organic growth.

FY 2021 performance

FY 2021 was a transformational year for our Marketing service line. Revenues grew by 151.1% to €46.2m (FY 2020: €18.4m) in 2021 following a period of fantastic growth. On an organic basis, which excludes the impact of currency movements and acquisitions, revenues were up 33.7% during the year.

The service line performed exceptionally well despite the absence of in-person events and a more limited number of game launches due to delays. In 2021, Marketing also benefited from the successful integration of the acquisitions of Maverick Media and g-Net, now the two largest studios in the service line, and Indigo Pearl, which was completed in the second half of 2020.

During the year, we continued to add scale to our Marketing services line through the acquisition of Waste Creative, a digital creative marketing agency based in London. The studio expands our mobile marketing capabilities in player acquisition and retention, community management and rapid, high quality content creation.

The market opportunity and outlook

Having transformed the scale of our Marketing services business, it has already become the provider of choice for games publishers and developers looking for a partner with deep specialist expertise in the sector, a broad range of the services that will enable the success of their games, and the global reach to execute across different time zones and cultures.

In a highly fragmented industry, this scale and reach will provide real competitive advantage as we bring together more of our services to meet our client's objectives. As many of the marketing services help clients at the very early stages of game development, when concepts are being developed and positioned for greenlighting, our marketing colleagues also have the opportunity to offer and cross-sell other Keywords' services, as appropriate, at the outset for new titles.

An extensive range of marketing services are currently provided in this fragmented market both internally and externally from key art, trailer creation, advertising, PR, branding, campaign management, influencer marketing and social media management through to marketing analytics and community management. So, while 2021 represented a transformational year in building out our Marketing services platform, there is a substantial opportunity to build further, so we will continue to seek to grow the business through selective acquisitions in order to enable us to provide a full suite of services at scale and across different time zones.

We expect Marketing will continue to grow strongly in FY 2022, albeit with growth rates moderating from the exceptionally high levels of growth seen in 2021.

% OF GROUP REVENUE FOR THE YEAR

2021 REVENUE

€46.2m

+151.1%

2021 ORGANIC REVENUE GROWTH

33.7%

2021 PRO FORMA REVENUE

€52.4m

AVERAGE OPERATIONAL STAFF

189

Game Development

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

FY 2021 performance

Game Development increased revenues by 73.6% to €138.9m (FY 2020: €80.0m). This increase partly reflected contributions from acquisitions made in 2021, including Heavy Iron, Tantalus, and Climax, with Wicked Witch having been acquired at the very end of the year. Game Development remains our largest service line with 16 studios in nine countries and over 1,500 developers.

Organic Revenue (which excludes the impact of currency movements and acquisitions) grew by 16.0% driven by the renewed focus on content creation, meaning strong demand for our services around the world despite the curtailment of our usual tradeshow-centric, business development activities. With game lifecycles now extending through downloadable content and live – ops and the next generation of consoles now maturing following the late 2020 release, there is an ever-increasing variety of opportunities for our Game Development studios.

While our ability to meet demand is constrained by a challenging recruitment climate, we were able to continue to recruit skilled professionals who are attracted to the range of high profile, exciting projects we work on for our clients.

In FY 2021, we completed the acquisition of four high quality businesses to grow and diversify our Game Development offering further:

- Heavy Iron – based in Los Angeles, California, the industry veteran's team of 43 developers has provided full game development, co-development, live operations and porting services for the video games industry since 1999.
- Tantalus – a leading and prolific developer of high quality, multi-platform titles based in Melbourne, Australia which provides us with access to a new talent pool and offers an excellent entry point into the Australian market for further expansion in the Pacific region, both organically and through acquisitions.
- Climax – one of the longest established game development businesses in the UK, offering full game development, co-development, porting and technical consulting services to some of the world's largest games publishers through a team of 109 talented developers.
- Wicked Witch – our second acquisition in Melbourne, Australia, Wicked Witch is a 73-person video game development studio which has an established track record in video game and graphic application development on a range of platforms including PC, mobile, PlayStation, Xbox and Switch.

The market opportunity and outlook

Game Development is our largest addressable market. The market is growing strongly and, of all of the Group's service lines, this market has the lowest proportion of external service provision. There is a high level of demand for talented developers and our studios will remain focused on recruitment and retention throughout 2022.

We remain a highly attractive prospect for game developer talent, who recognise the opportunities that Keywords provides for a sustainable variety of exciting work, as well as good career advancement, including the option to work across our expanding international footprint, and to be part of a strong culture amongst like-minded, games-passionate colleagues. Given the strong demand for talent, we expect to see some wage inflation and we will continue to take account of our cost structure as we agree each project with our clients, who are only too aware of the talent challenge themselves.

Our US Game Development business, Sperasoft, is the only studio within Keywords to operate in Russia with locations in St Petersburg, Volgograd and Moscow. Revenues from these studios are entirely from non-Russian clients. We continue to monitor the situation closely and in close partnership with our clients, we have been actively looking at relocating work to other locations across the Group, benefiting from our global footprint (including in Poland, across Europe, and the Keywords network more broadly).

Demand remains very strong and we entered 2022 with a higher than normal level of confirmed revenue, so we expect continued growth for Game Development during the year as we use our global platform to enable the business to service as much of that demand as possible.

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.

% OF GROUP REVENUE FOR THE YEAR

2021 REVENUE

€138.9m

+73.6%

2021 ORGANIC REVENUE GROWTH

16.0%

2021 PRO FORMA REVENUE

€147.4m

AVERAGE OPERATIONAL STAFF

1,396

Audio

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

FY 2021 performance

Audio revenues rose by 29.9% in the period to €61.3m (FY 2020: €47.2m), with Organic Revenue, which excludes the impact of currency movements and acquisitions, increasing by 27.4% compared to FY 2020.

Despite the challenges presented by the global pandemic and the need for our studios to adapt to various lockdowns and changes in local health and safety guidelines, our Audio services business saw a strong performance in 2021. This performance was delivered across all the studios and the business was able to expand through the addition of new clients and the growth of all its core services (subtitling, accessibility, dubbing, voice over, audio post and music).

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, as well as many of the other key streaming providers, which have invested heavily in their original content strategy which helped to drive higher demand for our services.

The market opportunity and outlook

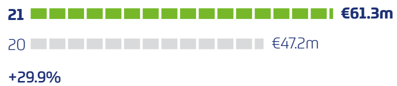
Our Audio services business has started 2022 well, with high levels of demand for our studios continuing into the first quarter. Our ability to produce industry leading quality for our clients means Keywords remains the partner of choice for video games clients seeking partners who can support them on all of their audio needs. We expect the streaming platforms to continue to drive strong demand for our Audio services line too.

Beyond the near term, we expect our Audio business to continue to be in high demand and the 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 select acquisitions over time, as we seek to expand into new geographies to meet the growing demand, as audio content increases for both console and mobile games.

% OF GROUP REVENUE FOR THE YEAR

2021 REVENUE

€61.3m



2021 ORGANIC REVENUE GROWTH

27.4%

2021 PRO FORMA REVENUE

€61.3m

AVERAGE OPERATIONAL STAFF

245

Functional Testing

Functional Testing is our second largest service line and provides 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.

FY 2021 performance

Functional Testing revenues increased by 18.1% to €92.7m (FY 2020: €78.5m) and Organic Revenue, which excludes the impact of currency movements and acquisitions, increased by 17.2%. The growth was supported by a weaker comparative in H1 2020 which was particularly disrupted at the early stages of the COVID-19 pandemic. Demand for our Functional Testing services improved as we moved through the year, as this service line started to benefit more fully from content flowing to the later stage service lines in the second half of 2021, following the industry's return to focus on new content creation in the first half of 2021.

We have built out our Functional Testing operations over time, beyond Montreal, to include Tokyo, New Delhi, Singapore, Katowice, Saint Jerome (Canada), Mexico City and Seattle, giving us a well-diversified production base, with "follow the sun" time zones and some lower cost production sites.

Our strong relationships with clients and the optimisation of capacity across these studios enabled the Functional Testing business to meet growing demand and it was pleasing to see volumes in studios across Poland, India and Mexico double in 2021.

The market opportunity and outlook

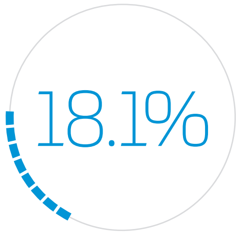
As the newer generation of consoles mature, the industry's drive to create new content for this generation is expected to increase further, something that will continue to benefit our Functional Testing business which operates at the later stages of the game development cycle.

In 2022, we expect our global footprint with studios in the key locations for talent around the world will continue to appeal to our clients, as we are able to offer flexible solutions depending on our customer needs, timelines and budgets.

We remain a leading player in this large and growing area of the market that is seeing an accelerating trend towards external service provision. 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 work with external providers on.

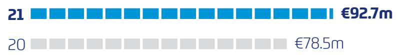
We expect to deliver continued growth into 2022 as more content flows to our later stage service lines following the return to new content creation in 2021 and as we see more new content being launched during the year.

% OF GROUP REVENUE FOR THE YEAR



2021 REVENUE

€92.7m



+18.1%

2021 ORGANIC REVENUE GROWTH

17.2%

2021 PRO FORMA REVENUE

€92.7m

AVERAGE OPERATIONAL STAFF

2,996

Localization

Our Localization service line provides translation of in-game text, audio scripts, cultural and local adaptation, accreditation, packaging and marketing materials in over 50 languages. It includes our proprietary technologies for content management, machine translation, crowd sourcing and workflow management.

FY 2021 performance

Localization revenues were up 11.9% to €50.8m (FY 2020: €45.4m) and Organic Revenue, which excludes the impact of currency movements and acquisitions, was up by 12.2%. This reflected a higher level of demand for our Localization services as we moved through the year, as this service line started to benefit more fully from content flowing to the later stage service lines in the second half of 2021, following the industry's return to focus on new content creation in the first half of 2021.

In October, we announced that Romina Franceschina joined Keywords to lead our Localization service line, bringing more than 20 years' experience in the localization industry and in delivering operational excellence and innovation, across a number of industries.

In 2021, Localization launched KantanStream, a crowd-sourced machine translation management platform that combines artificial intelligence and our global community of professional translators to deliver the speed and flexibility of machine translation with the quality only native speakers can deliver.

Localization's strong relationships with clients and exceptional output saw it receive awards from Tencent and Yozoo for being the best audio services provider and the business also won the Best Localization and QA Provider at Star Awards 2021.

The market opportunity and outlook

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.

Our clients are increasingly looking to Keywords for a more streamlined and distributed production process so internal innovation to introduce workflow efficiencies and automation will be a key area of focus for Localization.

Clients are already adopting our game asset management system, XLoc, which in turn ensures we are ever more integrated into their workflows. Combining the market leading expertise we have built up in localization over the past 20 years, with proprietary software tools, like XLoc, and artificial intelligence (AI) and machine learning (ML) technology from Kantan, will enable us to effectively manage a greater volume of content for our clients, at a greater speed, and in more languages.

We expect to deliver continued growth into 2022 as more content flows to our later stage service lines following the return to new content creation in 2021, alongside the underlying momentum in a video games market that is producing an ever increasing level of content, that is localised to a greater degree, for communities of video game players that reside in every corner of the world.

% OF GROUP REVENUE FOR THE YEAR

9.9%

2021 REVENUE

€50.8m

21 €50.8m

20 €45.4m

+11.9%

2021 ORGANIC REVENUE GROWTH

12.2%

2021 PRO FORMA REVENUE

€50.8m

AVERAGE OPERATIONAL STAFF

382

Localization Testing

Our Localization Testing service line identifies 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.

FY 2021 performance

Localization Testing revenue increased by 16.3% to €27.1m (FY 2020: €23.3m). On an organic basis, which excludes the impact of currency movements, Localization Testing was 16.7% higher compared to FY 2020.

As in the case of Functional Testing, Localisation Testing started to benefit more fully from content flowing into our later stage services in H2 2021, following the industry's return to focusing on new content generation in H1 2021 after the disruption to game production cycles caused by the pandemic in 2020.

Localization Testing benefitted from improvements to its global resourcing market, an increasingly flexible team structure and a higher proportion of work being shared across multiple studios in different geographies, which aided capacity and enabled the service line to meet heightened demand in a timely, flexible manner.

The market opportunity and outlook

In this service line, we continue to develop our operations in Tokyo, Singapore, Katowice, Milan, Dublin, Montreal and Ottawa, which gives us the scale, breadth of languages, multi-location and time zone operations, and resourcing agility to enable it to offer a flexible, high quality and cost-effective service which is difficult for competitors to replicate.

With our offering well established as a leading global player, we expect the Localization Testing service line to benefit from the strong underlying market, a continued rise in external service provision, and an increased flow of content to our later stage services in 2022. We are already receiving ever larger opportunities from our clients who recognise Keywords as a global partner of choice.

% OF GROUP REVENUE FOR THE YEAR

5.3%

2021 REVENUE

€27.1m

21 €27.1m
20 €23.3m
+16.3%

2021 ORGANIC REVENUE GROWTH

16.7%

2021 PRO FORMA REVENUE

€27.1m

AVERAGE OPERATIONAL STAFF

646

Player Support

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, ensuring our customers have a safe player environment.

FY 2021 performance

Player Support increased revenue by 9.8% to €45.9m (FY 2020: €41.8m) and Organic Revenue, which is on a constant currency basis, by 12.7%.

Player Support brought on a significant number of new clients and continued to strengthen its services in areas such as social media, quality control and consulting. It has continued to grow revenues from its social media services in particular, which have a high level of synergy with the Group's Marketing Studios. For instance, our acquisition of Waste Creative in December 2021 provides particular opportunities for synergies with Player Support due to its focus on player community management and retention for mobile video game creators. Together, our services offer a compelling and highly differentiated proposition to our clients who are ever more focused on keeping gamers happy and engaged with their games.

Our remote working arrangements have continued to prove highly effective, enabling us to seamlessly support clients across the world without any disruption, and Player Support has above industry average levels of employee retention, with the strength of its culture also borne out in a strong employee net promoter score.

The market opportunity and outlook

Player Support growth is expected to continue in 2022, with the benefit of an expanded client base and more diverse services.

As gaming becomes ever more social, our capacity to moderate user generated content is becoming critical for our clients. In this context, social media is expected to continue its progression in 2022, while adding trust & safety services to our unique offer will address increasing demand from our clients.

Having launched consulting services in 2021, we plan to support more of our clients with this, to help them shape how customer support can be better integrated to their upcoming games and be supported by the most relevant tools available.

Keywords' deep games knowledge and focus, combined with its global footprint, means we remain the most appropriate cultural fit for our clients for these services.

Our capacity to recruit from more countries will improve our recruitment pipeline and enable us to help our clients scale in their desired languages, while our machine translation engine, Kantan, provides an effective and efficient tool to support people-driven services.

% OF GROUP REVENUE FOR THE YEAR

9.0%

2021 REVENUE

€45.9m

21 €45.9m

20 €41.8m

+9.8%

2021 ORGANIC REVENUE GROWTH

12.7%

2021 PRO FORMA REVENUE

€45.9m

AVERAGE OPERATIONAL STAFF

1,702

OUR PEOPLE – AT THE CORE OF WHAT WE DO

Our culture acts as the glue that binds all Keywordians around the world together – relaxed, creative, 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 9,493 full time equivalent employees make up our international, digital-first, diverse and multicultural team and we are well balanced across our three regions; 39% in North and South America, 30% in Europe and 31% in Asia and Australia. 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 Keywordians who help to contribute to most of the world's leading video games. Our smooth transition to remote and flexible working during COVID-19 demonstrated the continued 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, online community spaces 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 while 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 valued 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 externalise multiple services to one provider, and this is where we are uniquely positioned to meet their expectations.

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, our new colleagues. From day one, we want them to feel 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 management 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 foster a 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 23 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 €250,000 under the Keywords Cares initiative. Throughout 2021, Keywordians with the support of Keywords Cares raised funds of over €26,500 and supported various local community and employee-led events.

Diversity, Equality and Inclusivity

As a multi-cultural business serving a global gaming community, we naturally thrive on diversity, celebrate uniqueness and collaborate as a team. We encourage all Keywordians to learn more about LGBTQIA+ communities and support an environment of self-expression through our Global Diversity Equality & Inclusivity (DE&I) Council.

As part of this, celebrating Pride is an annual summer tradition at Keywords. While many parades remained cancelled around the world due to COVID-19 restrictions, the festivities were not forgotten at Keywords. We encouraged our teams to show their colours throughout the year and our local HR and studio management teams organised activities in June to raise awareness among Keywordians and beyond.

To increase local awareness, our studio in Manila organised a contest to create a background for Teams calls. The winner, Alyzza Jeanne Naguit, said of her creation (shown below): "This art shows that different people can celebrate and be united when celebrating Pride Month."

Many of our studios around the world changed their logos on websites and social media channels to raise awareness for Pride and here are some examples:

Bernadette Belle Wu Ong's cape grabbed the attention of the fashion world in 2021 but did you know that the costume's powerful message has been hand-painted by a Keywordian? Our Player Support Agent Paulo Pilapil Espinosa and designer Arwin Meriales worked on the design together with Paulo hand-painting the words.

On International Women's Day, Electric Square held a 200km walking challenge to help raise money for RISE (Refuge, Information, Support and Education), a domestic abuse charity based in Brighton and Hove.

Rhys Lloyd, Head of Studio at Descriptive Video Works, highlighted in an industry article that as the video game industry takes steps toward inclusivity, audio description is the next step on this journey and calls out accessibility as one of the defining trends of 2021. Rhys is featured on page 38.

Great Place to Work

Keywords Studios in Manila has been certified in 2021 by Great Place To Work® Philippines, in recognition of their great employee experience. Dietrich Quemado, our Manila studio head is featured on page 9, where he talks about this achievement and his passion for games.

In Ireland, Keywords was named among Ireland's 150 Best Employers for 2021 while a number of our UK studios (Studio Gobo, Indigo Pearl, d3t and Electric Square) were also big winners in the UK GamesIndustry.biz Best Places To Work Awards.

Mindfulness

This is an area that has been more important than ever over the last year due to COVID-19 restrictions to people's personal and professional lives. Electric Square was awarded Gold in the Mind's Workplace Wellbeing Index 2020–2021, given their achievements in successfully embedding mental health into their policies and practices, while demonstrating a long-term and in-depth commitment to staff mental health.

Sachin Gulia, from our Lakshya Gurgaon team took a step back to reflect on the past year and decided to break the monotony of staying at home with an adventurous expedition on his bicycle from Meerut (Uttar Pradesh) to Leh (Ladakh) covering more than 1,000km to reach an altitude of almost 12,000 feet.

Supporting the fight against COVID-19

Keywordians in India organised a COVID-19 Vaccination Camp for all its employees from Lakshya and Babel at our Gurgaon Studio in June 2021. In total, around 200 people were vaccinated, including our support staff, security, housekeeping, and their family members. The camp was organised in association with C K Birla Hospital, Gurgaon.

Lakshya has remained committed to keeping the safety of its staff the utmost priority and have continued to work remotely. Many of our employees moved to their hometowns to take care of loved ones and continued to work from there. Today, our employees work seamlessly from multiple cities across India, this could not have been possible without our IT, office administration, and production teams who rose to the COVID-19 and work from home challenge.

Staying connected

In 2020, Keywords started a partnership with our art studios to create a series of gratitude e-cards, allowing Keywordians to send personalised thank you e-cards to other Keywordians for their help and continued support. In 2021, over 4,500 e-cards were sent globally, almost double the prior year, with kind thoughts and thank you messages keeping our people connected while apart.

With the migration to working from home, team outings and seasonal events have unfortunately remained on hold in most locations. To keep connected, a number of our studios hosted employee-exclusive webinars and invited people from around the Group to join in as well.

In our Mexico studio, the weekly "State of the Union" floor meetings moved online, as the team recognised the continued importance of sharing what is going on across Keywords as well as building a sense of community with acknowledgments of outstanding performance, celebrating birthdays and warmly welcoming newcomers.

2021 was Keywords' first full year on Instagram and we shared lots of personal moments and office insights from our studios, including our first ever global drawing event for all Keywordians, no matter if they worked at an art studio or just sketched for fun. Follow us for 2022 insights:

@keywordsstudiosfamily

Community and charitable activities

Winters in North India can be tough for the underprivileged, so our studios there helped the less fortunate in and around Delhi. By teaming up with A Giggles Welfare Organization (a non-governmental organisation), we distributed blankets to women and children at the Don Bosco Ashalayam orphanage.

Our Keywords team in Montreal participated in a food drive in March 2021, with volunteer drivers picking up packages of food and toiletries in their neighbourhoods, while teammates collected and sorted donations for redistribution to those in need.

In the Philippines, our studio organised a money, toy and food donation drive for paediatric cancer patients staying at Bahay Aruga, a shelter for patients being treated in hospitals around Manila.

For Earth Day 2021, our team in Montreal contributed 100 computer monitors to Insertech Angus' hardware donation campaign, helping support Insertech efforts to provide work experience to young people struggling to find employment.

A 24-hour football tournament was organised by our team at Keywords' Headquarters in Dublin to raise money for Irish Motor Neurone Disease Association with Nord Anglia International School Dublin kindly offering their football pitches free of charge for this event.

Keywords Player Support team in Manila gave their time, energy and hearts to help 192 families in the Philippines that were hit by typhoon Ulysses. The team visited the families to distribute food items and toiletries as well as second-hand clothes.

Gaming for good

The biggest gaming tournament of the year, Extra Life featured 23 Keywordian gamers from around the world, who streamed over 135 hours of gameplay, raising almost US$6,000 for the Children's Miracle Network of hospitals.

MONEY RAISED FOR THE KIDS

$5,849

NUMBER OF KEYWORDIANS JOINING OUR TEAM

23

FROM VARIOUS LOCATIONS IN

8 countries

THANK YOU TO OVER 1,000 VIEWERS WHO ENCOURAGED US AND LEFT DONATIONS.

In September, Keywords held a Solidarity Cup online gaming tournament for employees across Asia Pacific, attracting support from our studios in Manila, Singapore, Tokyo, Taipei, China, India, Australia, Indonesia and Korea. A total of US$5,000 was collected from participating studios and was used to buy medical supplies for Sardjito Hospital in Indonesia. In addition to the medical supplies, over US$2,000 was donated to UNICEF – Indonesia from a combination of employee donations and Keywords Cares matching.

After being involved with Grads In Games for a number of years, d3t became the headline sponsors for the 2020-2021 academic year, an initiative that helps graduates kick-start their careers in the video games industry.

Keywords Studios in Italy held informative meetings with young students' parents on the use of video games by children and teenagers that provided useful tips to parents on how to protect their children from some pitfalls and dangers with in-game open chats. The studio also supported disadvantaged students by helping them to prepare for their eighth-grade exams.

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

UN SDGs

Ensure healthy lives and promote well-being

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Achieve gender equality and empower all women and girls

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

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

Reduce inequality within and among countries

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

Progress in 2021

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 23 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.

In 2021, we established an Environmental, Social and Governance (ESG) Committee, which meets quarterly and provides regular updates to the Board on progress. Details of the membership and activities in the year can be found on page 84. The ESG Committee has 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). While recognising there is more work to be done, the ESG Committee believes a solid base has been established and looks forward to reporting on the progress in each of our priority areas.

The ESG Committee also builds on materiality assessment work that our senior managers and the Board carried out in 2020. That process included a materiality workshop, as part of our Executive Summit, providing the Board and senior managers with the opportunity to identify and debate matters of material importance to them based on potential impacts to the business and its 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. This process identified our five Responsible business priorities of People (including Diversity, Equality & Inclusivity (DE&I)), Client, Community, and the Planet underpinned by Governance. We also mapped our priority areas to the UN SDGs (United Nations sustainable development goals) as set out in each of the priority areas.

During 2021, we made good progress on our priority areas, with highlights including:

- Employee NPS score increasing to 42 from 22 in 2020, and positive employee survey feedback
- Health and wellbeing supported ongoing COVID-19 assistance, and more mental health initiatives
- Partnership with Women in Games Ambassador programme
- Planet: Environmental policy, Sustainable Studios, Carbon offset, Task Force on Climate-related Financial Disclosures (TCFD)
- MSCI ESG Rating improved to A from BBB

RHYS LLOYD
STUDIO HEAD AT DESCRIPTIVE VIDEO WORKS
VANCOUVER, CANADA

LEVEL
58

RHYS

SKILLS:
ACCESSIBILITY AND INCLUSION

GAME GENRE:
SPORTS

STRENGTH:
LEARNING AND GROWING – SINCE I BEGAN WORKING IN ACCESSIBILITY, I HAVE LEARNED A TREMENDOUS AMOUNT FROM MY COLLEAGUES AND THE AUDIENCE WE SERVE. AS A COMPANY, WE ARE CONSTANTLY INNOVATING AND SPEARHEADING CHANGES IN THE ACCESSIBILITY INDUSTRY

KEYWORDS HIGHLIGHT:
PROVIDING LIVE AUDIO DESCRIPTION FOR THE TOKYO OLYMPICS AND PARALYMPICS, WHICH LED TO NBC WINNING AN AWARD FOR BEST LIVE DESCRIPTION FROM THE AMERICAN COUNCIL OF THE BLIND

ENERGY:
I HAVE THE OPPORTUNITY TO WORK WITH AN INCREDIBLE TEAM THAT IS DEDICATED TO BRIDGING THE ACCESSIBILITY GAP FOR PEOPLE WHO ARE BLIND OR LOW VISION

We regularly hear from our audience how Audio Description makes a meaningful difference in their life, and it's a privilege to do this

PEOPLE

(INCLUDING DE&I)

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.

UN SDGs

- Ensure healthy lives and promote well-being
- Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- Achieve gender equality and empower all women and girls
- Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- Reduce inequality within and among countries

As a multicultural business, we thrive on diversity, celebrate uniqueness and collaborate as a team whether we are physically together in one of our 70+ 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, free from discrimination and with fair and equal opportunities. The key areas of focus are: health & safety, employee engagement, training and development and diversity, equality and inclusivity.

Health & Safety

Since the start of the COVID-19 pandemic, our priority has been the health, safety and wellbeing of all Keywordians, reinforcing our ongoing commitment to providing a safe and healthy workplace for all of our employees. We have worked hard to fully comply with all enhanced national legislation on health and safety requirements, while providing information, education and training to those returning to an office environment.

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 (EAP) at our larger locations and other locations have arranged programmes locally. Examples of some of these included guest speakers on mental health awareness and various team or online events that encourage activeness and mindfulness, such as dance lessons and virtual yoga. Many of our EAP providers also offer online courses to help build resilience and personal development in areas of mental health and wellbeing. We are particularly proud of how Keywordians around the world have responded to these challenges to keep everybody safe while making extra efforts to staying connected with each other (more detail is set out on pages 34 to 36).

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. To date, the hardship fund has provided US$75,000 in support for our staff and families affected by COVID-19 and other general financial difficulties. This fund remains active and accessible by all.

EMPLOYEE ENGAGEMENT SURVEY RESPONSE RATE

69%

21 69%

20 68%

eNPS

42

21 42

20 22

PEOPLE CONTINUED

Employee engagement

Our annual employee engagement survey took place in September 2021 with 6,565 of our colleagues responding, representing a 69% response rate (2020: 68%). In response to the survey feedback in 2020, some of the actions we took included creating a Health and Wellbeing Committee, adding further support to CSR (Corporate Social Responsibility) activities with the addition of Regional CSR roles, began routine global messaging from senior executives and amplified our gratitude e-card programme with the addition of cultural awareness dates.

We were delighted to see our global employee net promoter score (eNPS) increasing to 42 from 22 in 2020. We are also pleased to see all global service lines, support teams and regional eNPS scores increasing over the prior year. This score is used to express the strength of the relationship between Keywords and its employees and is calculated based on the answer to a simple question: "Would you recommend Keywords Studios as a good place to work?" Generally, a score within the bracket of 10 to 30 is considered good and a score of 50 is excellent.

The 2021 survey continued with strong themes of accomplishment and teamwork with 93% responding that they were proud to be a member of their team, 93% of our employees feel Keywords is striving to create a diverse and inclusive environment for all employees and 92% feel they are treated fairly in the workplace. Areas for improvement for 2022 relate to more opportunities for career development and growth (similar to 2020), more support around mental health and wellbeing and easier access to information and policies. The top three most important workplace benefits were compensation and salary, flexible work/life balance and being recognised and valued. We have set up focus groups for 2022 to examine the results of the survey and to propose initiatives to further improve overall employee engagement. The survey results were also reviewed by the ESG Committee and key themes were discussed and considered when determining initiatives and metrics for 2022.

The survey also sought feedback on working environments and whether employees felt productive in their roles, knowing that for many, this meant a work from home arrangement. 82% of people expressed a positive response, compared to 77% in 2020.

PEOPLE CONTINUED

We believe there is clearly a role for physical studios for the Group, particularly to allow for the exchange of creative ideas, training and development, healthy social interaction by peers 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 while 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. With so many staff working from home due to the COVID-19 pandemic, our Montreal team has continued to enhance the online learning hub, Keywords Academy Canada, which allows employees to provide access to learning materials, book courses and view monthly topics of interest. Internationally, we use LinkedIn Learning to provide employees around the world with access to hundreds of courses online in their local language. We continue to partner with local institutes and professional bodies with online and in-person management development and skills programmes throughout the Keywords Group.

Diversity Equality & Inclusivity

In 2020, we created a Global Diversity Equality & Inclusivity (DE&I) Council as we recognised that we could do more to drive this agenda and evolve our approach at a global, regional and local level in order to have a positive impact on people's everyday lives. During 2021, the Council focused on projects around education, HR support, community, and communication. These included piloting Affinity Groups and the partnership with Women in Games. We are piloting 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.

In 2021, the Group was composed of 25% women, 74% men and 1% non-binary/not disclosed (2020: 26%/74%), this ratio 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 (44% and 56%, respectively). We recognise that the video games industry traditionally attracts more male than female employees; therefore, a continuing focus going forward will be to look at opportunities to highlight Keywords, and the gaming industry as a whole, as an attractive career choice for women. Following changes to Board composition during the year, 25% of Board executives are now female.

Keywords is fully committed to initiatives and activities that encourage women to pursue a career in video games, and to help address the underrepresentation of women in our industry. As part of this, in August 2021, Keywords Studios announced a new partnership with Women in Games, to help power their over 600 strong ambassador programme under the heading, "Ambassador Programme Powered by Keywords".

Partnership with Women in Games

Women in Games is a not-for-profit organisation founded in 2009 with the mission to identify and effect the lasting change needed to bring about full gender equality, equity and parity of opportunity within the gaming sector and to encourage more women to consider games and eSports as a career.

Its Individual Ambassador Programme, which was founded in 2016, brings together individuals, industry and educators under one umbrella, all focused on diversifying and strengthening the sector. In 2022, we will leverage our global platform and client relationships to enhance and accelerate the Ambassador programme, while working closely with Women in Games on a number of projects, events and initiatives.

women in games

Keywords STUDIOS

CLIENT

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.

UN SDGs

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

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

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 30.0% (2020: 29.1%) of the Company's revenues, with 133 customers using three or more service lines, up from 120 in 2020. In 2021, we launched a more involved feedback survey with our customers through a customer net promoter score (NPS) survey with an overall customer NPS of 30 (a score of between 30-70 is considered "great" by Retently). The survey highlighted that quality was the number one reason for choosing Keywords over other providers.

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 department which reports on the Group's' security posture to the Audit Committee at least twice a year. In 2021, an independent third party also conducted a detailed review of the current information security environment at Keywords and the department's future plans.

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

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

- Managing the Security & 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), 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.

PLANET

We are committed to minimising our impact on the planet 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 impact of our studio configurations and business travel activities.

UN SDGs

Take urgent action to combat climate change and its impacts

Sustainable studios

We developed the Group's first Environmental Policy in 2021, covering our energy and recycling practices. The policy will help further develop our Sustainable Studios programme and support our studios in their efforts to minimise energy usage and to reduce, reuse and recycle wherever possible. As part of this, Keywords has started its first environmental assessment of all studios to create a baseline and a proactive guide towards next actions and goals.

In addition to these local initiatives to reduce energy usage and our environmental impact, in the UK and Italy a number of our studios have moved to 100% renewable electricity and more are expected to follow in 2022 once their existing commitments finish.

Sustainable Studios will help to reduce our carbon emissions but we recognise these initiatives take time. Therefore, in our 2021 Employee Engagement Survey we asked staff their preferred method to minimise our environmental impact in the near-term and 70% chose forest protection.

As a result, Keywords offset its 2020 carbon impact with 4,715 credits (2020 emissions + 10%) towards the Ntakata Mountains REDD project which protects forests. The revenue earned from the sale of these certified carbon credits is paid directly to forest communities in Tanzania, empowering them to manage their own development needs. We believe this project is a good match for Keywords given its focus on the education of women and improved health in the community.

The project was recently recognised with the award for "Innovation in nature conservation – land management" from the United Nations Development Programme (UNDP) and the International Union for Conservation of Nature (IUCN). Additional information on Carbon Tanzania and the great work it does in forest conservation in the Ntakata Mountains can be found here: www.carbontanzania.com

We accept that in a global organisation our people will need to travel. However, in 2020 and 2021, 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 to encourage everybody to fly economy and use public transport where practical.

PLANET CONTINUED

Sustainable steps

Our future sustainable steps with the environmental side of Environmental, Social and Governance (ESG) are evolving and will centre around the four main pillars of the Task Force on Climate-related Financial Disclosures (TCFD).

UN SDGs

Ensure healthy lives and promote well-being

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

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

This section sets out Keywords' reporting against the TCFD requirements. As an Alternative Investment Market (AIM) listed company, we are not currently required to report against TCFD, but we have endeavoured to provide the information set out under the guidelines, to give a high level of information and transparency to our stakeholders, as to our governance, strategy, risks and targets for climate related impacts.

Governance

Over the course of 2020, the Board recognised, and discussed, the increasing importance of ESG matters for our stakeholders. The Board acknowledged the need to have a clear focus on its impact on resources and the environment. To support this undertaking and to have a clear focus on the area of ESG, in 2021 Keywords established an ESG Committee. Further details of the ESG Committee can be found on page 84.

In addition to our ESG committee, we have established a Responsible Business (RB) Committee comprising of Jon Hauck along with senior regional executives, to inform the Board as well as implement and support Group initiatives such as Sustainable Studios and the DE&I Council.

Keywords recognises that to embed responsible business and environmental initiatives agreed by the committees, a clear link to our local studios must be in place to enable these to be successfully implemented. To support this, we are currently establishing CSR representatives in each of our three regions to ensure initiatives rolled out are fully embedded locally. These representatives will report both to their regional directors and through HR, while communicating their findings and recommendations to the RB Committee. The longer-term objective is to have regionally led RB initiatives being supported by the senior leadership.

One of the first actions of the RB committee in 2021 was to develop the Group's first Environmental Policy covering measures to cut greenhouse gas (carbon) emissions, energy, waste, and other environmental impacts. Through our Sustainable Studios programme, we will be looking to roll out the Environmental Policy and embed it across the business in 2022. Going forward, this policy will be used as a basis for all Keywords studios to ensure they work on introducing environmental initiatives to conserve natural resources and reduce our emissions.

In 2020, ESG factors were introduced into the Chief Financial Officer's non-financial objectives across five categories, each weighted 6% of the overall bonus opportunity, including Management Accounts, ESG Internal Control Framework, Internal Control Framework, Treasury Management Function, and Financial Systems. In 2021, the CFO's non-financial objectives remained the same and included ESG, with each weighted 6%.

Strategy

The video games industry has a relatively low carbon footprint compared to other "harder to abate" sectors but Keywords is committed to playing its part in minimising its impact on the environment. Sustainability is a core focus for Keywords, as it is for all the studios across our regions.

PLANET CONTINUED

Sustainable steps

In 2020, to establish which ESG issues where most material to our business, 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 five Responsible business priorities of People (including DE&I), Client, Community and the Planet underpinned by Governance. For further details on our Responsible business priorities, please see page 37.

Climate change has been classified as an emerging risk for the Company, and shall continue to be monitored closely; however, with our minimal risks from the impacts of climate change, as well as our own smaller carbon footprint, it is considered by the Board as secondary to our social policies. 2021 has demonstrated the ongoing issues of discrimination and harassment that exist within the gaming industry, and combating inequality and discrimination remains Keywords' primary goal.

Although this may be the case, Keywords is still committed to reviewing how best it can reduce its climate impact. As part of our Sustainable Studio programme, we have started to assess all our studios to gain a better understanding of our energy consumption and other greenhouse gas emitting activities. Once this has been completed, we will have a comprehensive view of our emissions across the business, with a view to building a plan to reduce our environmental impacts. This transition plan will consist of near-term and longer-term plans to support us in reaching our goal of achieving net zero carbon emissions ahead of 2050. Led by our Chief Administration Officer, this groundwork will be used to develop specific initiatives to monitor our progress on reducing our climate impacts.

From the current data we have, the largest considerations are our energy consumption from purchased electricity and business travel. Last year was the first time we captured data and reported on our emissions, which showed that the majority of our emissions are covered by Scope 2, purchased electricity. To reduce our energy usage in this area, our strategy over the next few years is to transition electricity contracts on our premises to green or renewable tariffs. A number of our UK studios have switched to renewable tariffs in 2021 and feasibility investigations are being conducted for several other properties. In regions where local renewable power is not available, we are looking into cross-border power purchase agreements.

For properties under landlord managed services, we will look to transition leases over time to more energy efficient buildings, where landlords already procure electricity from renewable sources. As part of this process, we have established a policy that outlines the requirements that all new property locations must meet certain environmental standards.

Keywords will also look to offset any remaining emissions where it is not operationally possible to eliminate emissions completely. For 2020 emissions, Keywords employees chose to offset our carbon impact through credits from the Ntakata REDD+ project in Tanzania, which helps to limit deforestation.

In addition to our Group-wide ambition, we encourage initiatives at the studio level to minimise energy usage, reduce and recycle waste, and to use the most efficient communication and collaboration tools to eliminate unnecessary travel. When we do travel, we fly economy (where flights are shorter than six hours), we do not have company cars and encourage the use of public transport, where practical, for all our colleagues. Going forward we will look to capture our emissions from business air travel.

The pandemic has forced us to adopt far more virtual meetings, significantly cutting down on our business travel. We intend to, where possible, maintain this system so as to travel only when it is necessary. Due to almost all roles within Keywords being fully able to complete their work from home, as evidenced during the pandemic, Keywords should prove fully resilient to any climate-related events facing the business, with only a limited number of studios needing more complex plans to ensure the security of server infrastructure or computer hardware. Going forward, Keywords will look to expand the data captured to report against Scope 3 emissions associated with working from home and purchased goods and services..

Risk management

At this point Keywords does not believe the effects of climate change present a significant direct material risk to Keywords beyond the general global impacts that will be felt across society. Our near totally digital operations give us high levels of flexibility to respond to any extreme weather event that could render our properties, our sole source of operations, unusable. The COVID-19 pandemic has proven the speed and efficiency with which our colleagues can switch our operations to working from home with minimal disruption to our output. Such a transition could be implemented again with relative ease should climate risks reach a significant enough level as to present a risk to working from our offices.

We anticipate our biggest area of risk is our server facilities and computer hardware which are housed in our premises. The growing challenges of climate-related weather events, particularly flooding and wildfires, presents an emerging risk to the safety of our operations with the potential for loss or damage to vital hardware. Keywords locations known to be at risk will look to conducting a review into how best to secure any onsite hardware to minimise any potential disruption, with any findings being used to update the existing disaster recovery plans already in place across our locations.

Beyond the threats to Keywords directly, secondary impacts from the effects of climate change on other industries could represent a potential issue for the Group. The semiconductor shortage that has impacted the global economy throughout 2021 has demonstrated the vulnerability of existing supply chains to unexpected disruptions – this is likely to continue into the future. Keywords, like many other businesses in our sector, had challenges to source some key pieces of hardware amid the competition for semiconductors. While we expect the current situation to alleviate in 2022, it represents an example of potential issues our industry could face in the future. Such risks will be assessed and reviewed by the Board to ensure contingency plans are in place, and that Keywords' operations are able to continue with minimal disruption.

We recognise that investors are increasingly looking at the climate standards and policies of potential investment opportunities, and customers, many of whom are looking to minimise the emissions in their own supply chains, may seek out suppliers who can offer a "greener" service. However, the Company does not consider climate change to be of significant risk to the demand for our own products and services. Conversely, we do not expect it to increase demand either, as we see limited climate-related growth opportunities in external services to the video games market.

Any risks deemed significant enough to the business are communicated to the Board who come to a determination as to whether the risk presents a material threat. If the risk is deemed to do so, a mitigation/contingency plan is formulated, then implemented in the regions deemed to be at risk. A guidance system will be put into place to advise colleagues on the best practices to minimise these climate impacts.

Climate-related risks are factored into our risk assessments, which is reviewed throughout the year. Any new risks are included and monitored to ensure the plans remain effective and ensure the safety of both our colleagues and business. Financial risks are taken into consideration by our existing top-down and bottom-up risk management processes each year, details of which can be found on page 57 of our Principal risks and uncertainties section.

Metrics and targets

In line with the Streamlined Energy and Carbon Reporting (SECR) disclosure, Keywords undertook its second formal review of the Group's global energy usage, resulting in the identification, assessment and measurement of our energy and greenhouse gas (GHG) 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 2021 and International Energy Agency (IEA) conversion factors for non-UK electricity to calculate the below disclosures. As well as absolute emissions figures, the information is presented as an intensity ratio against Scope 1 and Scope 2 emissions only, an index of both employee numbers and our revenue in €m. These figures were calculated from data available to the Group and extrapolated to take account of smaller or mixed tenant locations.

This year we have reported on Scope 3 emissions (WTT and T&D) related to the combustion of fuels and operation of facilities under Scope 1 and in relation to the purchase of electricity, Scope 2. In 2020, these Scope 3 emissions were combined with our Scope 1 and 2 reporting but for transparency this has now been split out as a separate line, and our previously reported 2020 Scope 1 and 2 figure has therefore changed. In addition, the 2020 Global energy figure has increased slightly due to improved data capture.

GHG emissions data

	Current Reporting Year – 1 October 2020 to 30 September 2021		Comparison Reporting Year – 1 October 2019 to 30 September 2020	
Tonnes of CO_2e	UK and offshore	Total Global	UK and offshore	Total Global
Scope 1 – Combustion of fuels and operation of facilities (Scope 1)	1	200	0	244
Scope 2 – Emissions from purchase of electricity, heat, steam, and cooling purchased for own use (Scope 2)*	184	3,411	161	3,746
Total emissions under Scope 1 and 2	185	3,611	161	3,990
Scope 3 – Transmission & Distribution (T&D) and Well to Tank (WTT) related to our scope 1 and scope 2.	69	1,226	38	938

* Includes emissions only from the use of electricity.

In 2021, our global Scope 1 and 2 emissions (location based) were 3,611 CO_2e, UK emissions accounted for 185 tonnes of CO_2e, representing 5% of global emissions

	Energy 2021		Energy 2020	
Energy consumption (MWh)	UK and offshore	Total Global	UK and offshore	Total Global
Scope 1 – Energy consumption from the combustion of fuels and operation of facilities	6	1,053	2	1,313
Total Scope 2 – Energy consumption from purchase of electricity, heat, steam, and cooling purchased for own use (Scope 2)*	865	9,793	690	10,245
Total Energy consumption	871	10,846	692	11,558

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

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

In 2021, our global energy consumption was 10,846 MWh, the UK energy represented 8% of our global energy consumption.

Intensity ratio (tonnes of CO_2e per unit)

	2021	2020
Ratio of carbon emissions to employees	0.40	0.49
Ratio of carbon emissions to revenue (€m)	7.6	11.0

Many of our studios remained less occupied during 2021 and therefore we believe that neither 2020 nor 2021 would be an accurate baseline to measure our carbon emissions. Nonetheless, in 2022 our Sustainable Studios initiative will focus on driving our environmental commitment forwards, by identifying practical changes that we can implement and set measurable business targets against, helping us deliver our long-term ambition to reach net zero carbon emissions ahead of the UK Government's target of 2050.

COMMUNITY

Here at Keywords, we encourage community involvement and supporting good causes throughout our local studios.

UN SDGs

- Good health and well-being: Ensure healthy lives and promote well-being for all at all ages
- Reduced inequalities: Reduce inequality within and among countries
- Gender equality: Achieve gender equality and empower all women and girls
- Climate action: Take urgent action to combat climate change and its impacts

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 €250,000 under the Keywords Cares initiative. 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 2021, 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.

Keywords Cares has also extended its matching programme to include Keywords Cares Plus that allows for a more rapid support process in the event of a natural disaster or humanitarian crisis.

Some of the many proud examples of our community efforts during the year are set out in more detail on pages 34 to 36.

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 23 countries and five continents.
– 70+ studios supporting diversity and inclusivity.

Annual Global Charity Event – our 5th year participating in Extra Life, gaming for a good cause.

– Children's Miracle Network Hospitals raise funds and awareness for 170 member hospitals that provide 32 million treatments each year to children across the US and Canada.
– Donations stay local to fund critical treatments and healthcare services, paediatric medical equipment and charitable care.
– Keywords Studios fundraisers joined us from Canada, the US, Mexico, Germany, France, Italy and the UK.
– Over 1000 views.
– 200 + hours of gameplay.
– Fundraising efforts are captured in our overall numbers above.

RAISED BY EMPLOYEES FOR CHARITY

€26,500

(2020: €46,000, 2019: €29,000)

STUDIOS SUPPORTED LOCAL SCHOOLS AND EDUCATION NEEDS

5

STUDIOS SUPPORTED GREEN INITIATIVES IN THEIR STUDIOS AND COMMUNITIES

4

STUDIOS SUPPORTED DIVERSITY AND INCLUSIVITY PROGRAMMES, TO IMPROVE THE QUALITY OF LIFE FOR MARGINALISED COMMUNITIES

4

STUDIOS SUPPORTED EMERGENCY RELIEF MEASURES, RELATED TO NATURAL DISASTERS AND COVID-19

4

GOVERNANCE

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").

UN SDGs

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

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

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 engaged 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 2021, two whistleblowing disclosures were reported (2020: none), which were all fully investigated and are being resolved.

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.

GOVERNANCE CONTINUED

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, while 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 16 to 19, and our principal risks are on pages 57 to 58. Our Modern Slavery Policy and Code of Business Conduct can be found on our website.

Reporting requirement	Policies and standards which govern our approach	Page reference
Environmental matters	Environmental Policy	Page 43 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	Page 20 Our strategy Pages 34 to 36 Our people, our culture Pages 37 to 49 Responsible business
Respect for human rights	Supplier Code of Conduct Modern Slavery Policy	Page 48 Responsible business
Anti-bribery and corruption	Anti-bribery and corruption policy Whistleblowing Fraud policy Sanctions policy	Page 48 Responsible business Pages 66 to 68 Audit Committee
Business model		Pages 16 to 19 Business model
Description of principal risks and impact of business activity		Page 37 Responsible business Pages 57 to 58 Principal risks and uncertainties
Non-financial key performance indicators		Page 20 Our strategy Pages 37 to 49 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 37 to 49), the Board identifies the Group's key stakeholders as its 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 2021, the Board was unfortunately unable to permit its shareholders to attend the AGM in person 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), the Board was able to invite shareholder participation via videoconference. For the 2022 AGM, the Board hopes to welcome our shareholders back to meet in person but will maintain the ability for shareholders to participate remotely, to ensure maximum opportunity for participation and engagement. 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, CFO and COO meet with shareholders, with the wider Board receiving regular updates following these engagements. Additionally, both the Senior Independent Director and the Chair 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 39) and, acknowledging that remuneration is an important matter for our people, the Directors requested an update on pay equality. 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, in addition to discussing strategic development in an open, collaborative forum. Due to COVID-19, the Board was unable to engage with the Group's employees in its normal manner during 2021, but have resumed visits to key Keywords locations in 2022.

Understanding that some of our employees experienced considerable economic pressure because of the pandemic, the Board is proud to have supported the establishment of a hardship fund to support our employees who needed additional financial support. Further details of this initiative can be found on page 40.

The ESG Committee, established in 2021, will be responsible for closely monitoring the interests of our workforce on a continuous basis. Further details of our priorities relating to our people are discussed in the ESG Committee report on page 84, and details of the initiatives already in place across the Group are presented on pages 37 to 49.

Customers

The Board regards strong engagement with our customers and building long-term strategic relationships, by developing an intimate understanding of their evolving needs and understanding their challenges, as critical to the success of the Company. During the year, the Board received updates from senior management on key customers via its regular business reviews. Prior to COVID-19, the CEO and selected members of the Board normally met existing and potential clients at the key video games events (e.g. E3, DICE, GDC, XDS, Gamescom, Tokyo Games Show) to seek their input and gauge their current and future requirements. The CEO and COO also regularly meet with key customers to strengthen relationships and communicate our deep expertise, the flexibility afforded by our scale and ability to provide a multi-service line platform.

During the year the Group formally adopted a Sanctions Policy in respect of its customer relationships, documenting its commitment to complying with the economic and trade sanctions laws and regulations of the United Nations, European Union, United States of America, United Kingdom and Office of Foreign Assets Control (OFAC), as well as all applicable sanctions laws and regulations in the jurisdictions in which the Group operates (Sanction Regulations). The minimum standards that the Group must comply with to meet the obligations set out in the Sanctions Policy include:

SECTION 172(1) STATEMENT CONTINUED

- screening customers against Sanction Regulations using a compliance solution offered by a reputable third party service provider;
- prohibiting or restricting business activities or transactions with customers, or commencing customer relationships, that the Group believes may violate applicable Sanction Regulations, whether directly or indirectly; and
- blocking or rejecting business activities or transactions with customers where the Group is obligated to do so under applicable Sanction Regulations.

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, and regularly reviews, a Supplier Code of Conduct, complemented by the adoption of a Modern Slavery Policy since 2017. Engagement with our suppliers is primarily managed by the COO and important matters are brought to the attention of the Board as they arise.

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 €250,000 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 page 47).

Decision making

We set out below the interim dividend and new marketing service line as examples of principal decisions where the Directors have had regard to the matters set out in Section 172(1)(a)–(f) and the interests of our key stakeholder groups (named above) when discharging their duties. Principal decisions are those regarded to be material to the Group's strategy.

Interim dividend

Following a period of robust growth and increased profitability and cash generation, and reflecting the Board's confidence in the future, the Board was pleased to declare an interim dividend of 0.70p per share which was paid to shareholders on 29 October 2021. This represented an increase of 20.7% on the 2019 interim dividend. Owing to the uncertain global economic situation in 2020, no dividends were declared during 2020. The Board's progressive dividend policy seeks to reflect the Group's continued growth in earnings and strong cash generation, balanced with the need to retain the resources to fund growth opportunities, in line with our strategy.

To support each dividend approved by the Board, detailed updates are received from senior management relating to financial resilience, performance outlook and external views, and the Board has an opportunity to discuss those and other stakeholder considerations.

The Board receives regular updates on investor relations and invites questions from shareholders. The Board considered that while shareholders have not communicated to the Company a preference to receive dividends, or otherwise, many shareholders do require our continuation of the dividend policy. In addition, there are a number of employee shareholders (as a result of the Company's wider workforce remuneration policy to align remuneration with the Company's long-term success), and the Board considers those as also having an expectation of receiving dividends. Overall, the Board sees the implementation of a progressive dividend policy as an important element of the Company's future success and, having regard to the considerations noted above, determined that re-commencing the payment of dividends was in the best interests of its shareholders and wider stakeholders.

Marketing service line

During 2021, the Board supported a proposal from the management team to report Marketing as a standalone service line, following its recent growth and scale within the Group, and to focus on building the service line both through acquisitions and organic growth.

The Marketing services sector is particularly fragmented, given the range of services provided both internally and externally from key art, trailer creation, advertising, PR, branding, campaign management, influencer marketing and social media management through to marketing analytics and community management. The Board recognised that establishing a highly specialised video games Marketing services business would better position Keywords as the partner of choice for our games publisher and developer customers who are interested in a reliable supplier with global reach and deep expertise.

The Board decided to respond to the needs of our customers and enhance our value proposition as a multi-service line platform, which supports the Group's long-term strategy communicated to shareholders, and creates long-term value for them. With the acquisitions of g-Net and Maverick Media, now the two largest studios in the Marketing service line, Keywords has a considerably expanded platform from which to further build the breadth of our capabilities, organically and through selective acquisitions.

For our employees within the Marketing service line, this development has provided a valuable opportunity for them to create stronger relationships with existing customers and foster relationships with other Keywords customers. The resulting volume and variety of work offers an opportunity for personal and professional development, as well as development opportunities for individuals supporting the new service line, and ultimately recognises the excellent work of all our colleagues within the Marketing service line.

Resilient performance in a period of significant disruption

THE MATHEMATICIAN

JON HAUCK CFO
LEVEL 48
XP 20,000

ORGANIC REVENUE GROWTH

+19.0%

REVENUE (€M)

€512.2m

+37.1%

Revenue

Revenue for 2021 increased by 37.1% to €512.2m (2020: €373.5m). This growth was supplemented by the full year impact of acquisitions in 2020 and the acquisitions made in 2021, but offset by the impact of currency movements, particularly the weakening of the US dollar in the second half of the year.

Organic Revenue growth (which adjusts for the impact of currency movements and acquisitions) was up 19.0% (H1: 22.9%, H2: 15.5%, 2020: 11.7%). This was driven by a robust performance across all service lines, against a comparative period where, in H1 2020, certain service lines were more severely held back at the early stages of COVID-19, particularly in our Testing and Audio businesses. Further details of the trading performances of each of the service lines are provided in the CEO Review.

Gross margin

Gross margin in 2021 was €200.1m (2020: €141.8m) representing an increase of 41.1%. The gross margin improved by 1.1% pts to 39.1% (2020: 38.0%) driven by certain cost savings as a result of working from home measures and the revenue shortfalls in the early stages of the pandemic in the prior year, particularly in our Testing, Audio and Localization service lines that held back margins in 2020.

Operating costs

Adjusted operating costs increased by 33.1% to €90.0m (2020: €67.6m), reflecting a larger Group, but reduced to 17.6% of revenue versus 18.1% in 2020. This reduction was driven by continued good cost control, together with reductions in certain costs due to COVID-19, primarily resulting from remote working and lower travel, business development and marketing costs.

Adjusted EBITDA

Adjusted EBITDA increased 48.4% to €110.1m compared with €74.2m for 2020. The Adjusted EBITDA margin in 2021 reflects the improved revenue noted above and this, combined with the benefit of ongoing reduction in certain costs due to COVID-19, resulted in an improvement in Adjusted EBITDA margin of 1.6% pts to 21.5% (2020: 19.9%).

Net finance costs

Net finance costs reduced by €6.2m to €2.4m (2020: €8.6m), largely driven by a €8.1m swing 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) remained in line with the prior year at €1.0m (2020: €1.0m).

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:

	2021 €m	2020 €m
Share-based payments expense	16.4	15.4
Acquisition and integration costs	8.0	2.6
Amortisation and impairment of intangible assets	13.7	8.8
COVID-19 government subsidies claimed	–	(9.2)
Foreign exchange and other items	–	4.9
	38.1	22.5

1.58m of options were granted under the Share Option Scheme and Long-Term Incentive Plan in 2021. This, together with grants from previous years, has resulted in a non-cash share-based payments expense of €16.4m in 2021 (2020: €15.4m). 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 €8.0m (2020: €2.6m). This includes a one-off charge for fair value movements in respect of deferred consideration of €5.6m that is required to be taken through the profit and loss account (and therefore the cash outlay is €2.4m). Amortisation and impairment of intangible assets charge increased by €4.9m to €13.7m (2020: €8.8m), reflecting the recent increased levels of acquisition activity.

Foreign exchange and other items amounted to a net charge of zero (2020: €4.9m). This includes €1.9m for the unwinding of discount liabilities on deferred consideration (2020: €0.1m) offset by a net foreign exchange gain of €2.0m (2020: €6.1m loss). 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.

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 €15.5m (+47.7% year on year) to €48.0m (2020: €32.5m). Adjusted Profit Before Tax, which adjusts for the items described in the APMs section above increased by €31.0m (+56.4% year on year) to €86.0m compared with €55.0m in 2020. This represents an improvement in Adjusted profit before tax margin of 2.1% pts to 16.8% (2020: 14.7%). This is above the Group's historical margin delivery of between 14% and 15% and partly reflects the short-term benefit from certain costs savings as a result of COVID-19 noted earlier that are not expected to continue.

Taxation

The tax charge increased by €2.9m to €13.9m (2020: €11.0m), 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 2021 was 21.6% compared with the rate of 21.5% in 2020.

Earnings per share

Basic earnings per share increased by 48.9% to 45.16c (2020: 30.32c), reflecting the increase in the statutory profit after tax of 58.9%, partially offset by an 6.7% increase in the weighted average number of shares reflecting the full year impact of the 10.5% equity placing in May of 2020. Fully diluted earnings per share, reflecting the impact of unvested share options, increased by 49.7% to 42.98c (2020: 28.71c).

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 89.24c, representing an increase of 46.5% (2020: 60.93c).

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Cash flow and net debt

Cash flow statement	2021 €m	2020 €m	Change €m
Adjusted EBITDA	110.1	74.2	35.9
MMTC and VGTR	(4.5)	0.6	(5.1)
Working capital and other items	11.3	(2.2)	13.5
Capex – property, plant and equipment (PPE)	(19.4)	(13.9)	(5.5)
Capex – intangible assets	(0.3)	(0.3)	0.0
Payments of principal on lease liabilities	(10.0)	(8.2)	(1.8)
COVID-19 employment support subsidies	-	9.2	(9.2)
Operating cash flows	87.2	59.4	27.8
Net Interest paid	(2.7)	(1.6)	(1.1)
Free cash flow before tax	84.5	57.8	26.7
Tax	(23.9)	(4.5)	(19.4)
Free cash flow	60.6	53.3	7.3
M&A – acquisition spend	(63.1)	(39.9)	(23.2)
M&A – acquisition and integration costs	(2.4)	(2.3)	(0.1)
Investment income	–	1.4	(1.4)
Dividends paid	(0.6)	–	(0.6)
Shares issued for cash	5.3	111.7	(106.4)
Underlying increase / (decrease) in net cash / (debt)	(0.2)	124.2	(124.4)
FX and other items	2.9	(3.4)	6.3
Increase in net cash / (debt)	2.7	120.8	(118.1)
Opening net cash / (debt)	102.9	(17.9)	
Closing net cash / (debt)	105.6	102.9	

The Group generated Adjusted EBITDA of €110.1m in 2021, an increase of €35.9m from €74.2m in 2020. There was a €5.1m decrease 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). Working capital and other items resulted in an increase of €13.5m compared to 2020 with working capital increasing by €6.7m, mainly due to lower accrued income, while other items improved by €6.8m from phasing differences.

Investment in property, plant and equipment amounted to €19.4m (2020: €13.9m), reflecting a 39.60% increase and reflecting a return to more normal levels of spending following the COVID-19 disruption in the prior period that resulted in a reduction in both the level of equipment expenditure and expansionary capex. Property lease payments of principal of €10.0m were 22.0% higher than the prior period (2020: €8.2m), mainly related to acquisitions in the period.

The Group received no COVID-19 government employment retention subsidies in 2021, resulting in operating cash flows of €87.2m (2020: €59.4m), and an increase of €27.8m on 2020.

Net interest payments were €2.7m, an increase of €1.1m on 2020 as a result of the fees associated with the refinancing of the Revolving Credit Facility which is discussed further below. Tax payments amounted to €23.9m (2020: €4.5m) an increase of €19.4m on the same period when the Group benefitted from timing differences that resulted in fewer payments in the period in respect of the 2020 tax payable which were subsequently settled in 2021.

This resulted in Free Cash Flow of €60.6m (2020: €53.3m), an increase of €7.3m on the prior period. Adjusted Free Cash Flow before tax, which adjusts for capital expenditure that is supporting growth in future periods and the COVID-19 government employment retention subsidies in the prior year, was €92.3m in 2021, an increase of €38.9m (+72.8%) on the levels delivered in 2020. This resulted in an Adjusted Cash Conversion rate of 107.3% (2020: 97.2%). A reconciliation of Free Cash Flow to Adjusted Free Cash flow before tax is provided in the Alternative Performance Measures (APMs) note.

Cash spent on acquisitions totalled €65.5m of which €63.1m was in respect of the cash component of both current and prior year acquisitions and €2.4m was in relation to acquisition and integration costs.

These items, together with foreign exchange movements of €2.9m resulted in an increase of net cash of €2.7m in 2021 (2020: increase in net cash: €120.8m) and a closing net cash of €105.6m (2020: net cash €102.9m).

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Balance sheet and liquidity

The Group funds itself primarily through cash generation and a Revolving Credit Facility (RCF). In December 2021, the Group entered into a new €150m unsecured multicurrency RCF with a syndicate of four lenders, which replaces the Company's previous €100 million secured RCF. The lender group is made up of Citi Commercial Bank, Fifth Third Bank, National Association, HSBC Continental Europe and ING Bank N.V., Dublin Branch. The new facility is for an initial three-year tenor to December 2024, with an option to extend the term by two further one-year periods at the Company's request, subject to lender consent. The new RCF has financial covenants that are consistent with the previous facility and has an accordion feature that allows it to be increased by a further €50 million again subject to lender consent. The RCF is 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 cash (excluding IFRS 16 leases) of €102.9m as at 31 December 2020. Following €65.5m of cash deployed in the period to support the Group's value accretive M&A programme, at the end of 2021, the Group had net cash (excluding IFRS 16 leases) of €105.6m and undrawn committed facilities of €150m.

Dividend

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

Following the interim dividend payment of 0.70p per share in October 2021, the Board has recommended a final dividend of 1.45p per share, which will make the total dividend for the year ending 31 December 2021, 2.15p per share, an increase of 10% per annum over the 2018 full year dividend (2018: 1.61p per share). Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 17 June 2022 to all shareholders on the register at 27 May 2022 and the shares will trade ex-dividend on 26 May 2022. The cash cost of the final proposed dividend will be an estimated €1.3m, subject to currency fluctuations.

Guidance for 2022

We have made a good start to the year with the Organic Revenue growth momentum in the second half of 2021 flowing into 2022, and total revenue benefitting from favourable currency movements compared to 2021.

2021 Adjusted profit before tax margins have benefitted from certain COVID-19 costs savings that are not sustainable and are hence expected to move back towards the 14–15% historical range during 2022 and the Adjusted Effective Tax rate is expected to be in line with the 2021 rate of ~21%.

We are anticipating capex in line with 2021 relative to revenue, reflecting continued expansionary capex and investment in equipment to support the new console cycle and an overall Adjusted Cash Conversion rate of ~80%, representing a reduction on 2021 as some of the phasing benefits in 2021 unwind.

Notwithstanding the situation in Russia, given the strong underlying trading across the Group aided, in part, by favourable currency movements, we are confident of delivering a performance for the full year towards the top end of current market expectations*.

JON HAUCK
CHIEF FINANCIAL OFFICER

* As at 28 March 2022, company compiled analysts' forecasts gave a consensus for FY 2022 of €597m of revenue (range: €587-610m) and €92m of adjusted profit before tax (range: €90-95m).

Links to Strategic Pillars: Building our platform; Selective acquisitions and integration; Organic growth and cross selling

Trend since last year: Same; Increase; Decrease

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 and discussed in detail at the Audit Committee on an ongoing basis throughout the year.

Furthermore, once a year in January, we have a special deep dive risk session at the Audit Committee where we try to analyse current and emerging risks in more detail and link to our overall strategy.

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 broad panel 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 conducts 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 reviewed to enable work from home. In 2021, contracts for new business included this ability by default (where appropriate).	
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 Group's client base principally comprises global game companies whose revenues are in the billions and hundreds of millions of dollars. Our top five customers in 2021 account for 30.0% (2020: 29.1%) of the Group'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 Group'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 6.5% (2020: 7.5%) of revenues in 2021.	

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 2021, we successfully negotiated a new Revolving Credit Facility, improving liquidity. More details can be found in the Financial and operating overview on page 56.	
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. During 2021, we made new Board appointments, with further appointments at the senior management levels to drive our operations.	
Failure to manage human resources/talent effectively Link to Strategy Likelihood	Keywords employs an average of 9,493 in 74 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. In 2021, we established a Global Diversity, Equality & Inclusivity Council, comprising employees who work closely with senior leaders, to connect DE&I activities to the broader business strategy. More details of our survey and DE&I Council can be found in the Responsible business report on pages 39 and 41.	

Links to Strategic Pillars: Building our platform | Selective acquisitions and integration | Organic growth and cross selling

Trend since last year: Same | Increase | Decrease

Industry-related risks

Risk	Description and Impact	Mitigation	Trend
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 rolled out to all studios during 2021 and are supported by more detailed policies and procedures where needed, and published on our website. More details are contained in the Responsible business report on page 48.	Same
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 sets policies, conducts regular penetration testing, monitors activity and rapidly responds to any incidents that arise. More details are contained in the Responsible business report on page 42.	Increase
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. Technology is one of the five strategic workstreams detailed in the Chief Executive Officer's review on page 12.	Increase
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 Group's diverse geographic revenue base (no single client larger than 6.5% (2020: 7.5%)). Responsible gaming issues arising during game play can be identified by our Player Support teams, trained to handle and report safety incidents.	Same

General business risks

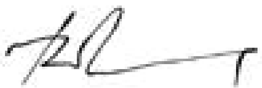
Risk	Description and Impact	Mitigation	Trend
Tax credits withdrawal risk Link to Strategy Likelihood	The Company receives multimedia tax credits (MMTC) in Canada, video games tax relief (VGTR) in the UK, and Digital Interactive Media (DIM) tax credits in the US relating to qualifying costs in those markets. 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.	Same

General business risks continued

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: Since 2020, 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, and have gradually reopened studios where local restrictions allowed.	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: During 2020, the Group moved ~9,000 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 were introduced to allow continued service while 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 while social distancing measures are in place. Further details on how the Group responded to the challenge posed by COVID-19 is provided in the Chief Executive Officer's review section on pages 10 to 14 and in the Service line review on pages 26 to 33.	Same
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.	The diversification and spread of activities geographically mitigate the risk of disruption in any one location. We are monitoring the situation in Russia, where our teams continue to work for non-Russian clients, with our continuity planning benefitting from the scale and flexibility afforded by our global footprint.	Increase
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.	Increase

Other risks have been classified as emerging risks for the Company, such as climate change and third-party risk. These are discussed at the Audit Committee and continue to be monitored closely.

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



BERTRAND BODSON
CHIEF EXECUTIVE OFFICER

30 March 2022

CHOOSE YOUR PLAYER

Team Keywordians

Page 1/2 →

LEVEL AGE

XP TENURE

COMMITTEE

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

ROSS GRAHAM FCA
INDEPENDENT NON-EXECUTIVE DIRECTOR & CHAIRMAN

Skills & 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.

LEVEL 74
XP 8
COMMITTEE A N R

BERTRAND BODSON
CHIEF EXECUTIVE OFFICER

Skills & Experience

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

LEVEL 46
XP <1
COMMITTEE E

JON HAUCK FCA
CHIEF FINANCIAL OFFICER

Skills & Experience

Jon has a wealth of finance, change management and M&A experience, having previously held a variety of roles at Rentokil Initial plc. 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.

LEVEL 48
XP 2
COMMITTEE E

DAVID REEVES
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Skills & 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. David will retire from the Board at the AGM.

LEVEL 75
XP 8
COMMITTEE A N R

CHOOSE YOUR PLAYER

Team Keywordians

Page 2/2

LEVEL AGE

XP TENURE

COMMITTEE

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

CHARLOTTA GINMAN FCA
INDEPENDENT NON-EXECUTIVE DIRECTOR

Skills & 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, as well as Gamma Communications plc (an AIM listed company). She is also a Non-Executive Director of Unicorn AIM VCT PLC, a venture capital trust, and Boku Inc (an AIM listed company). As three of Charlotta's roles are with investment companies that require less time to be dedicated throughout the year, and the rest are AIM listed entities with less regulatory burden than a company listed on the main market, Charlotta has sufficient time to devote to each of her roles.

Charlotta will succeed David Reeves as Senior Independent Director following the AGM.

LEVEL 56
XP 4

COMMITTEE A N R

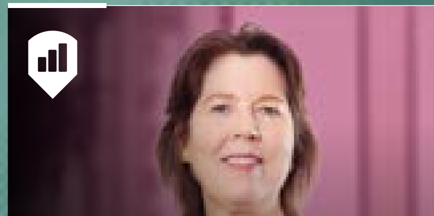
GEORGES FORNAY
INDEPENDENT NON-EXECUTIVE DIRECTOR

Skills & Experience

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

LEVEL 65
XP 4

COMMITTEE A E



MARION SEARS
INDEPENDENT NON-EXECUTIVE DIRECTOR

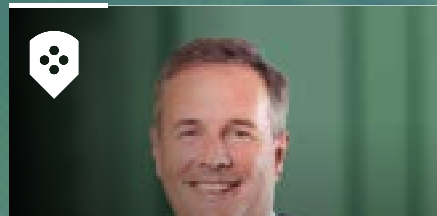
Skills & Experience

Marion brings extensive investment banking and international M&A experience from many years serving on a number of public company boards as a non-executive director, senior independent director and committee chair, giving her long-standing listed company experience and stakeholder understanding. Marion is currently a Non-Executive Director at Dunelm Group plc and WH Smith plc and is Senior Independent Director at Aberdeen New Dawn Investment Trust plc. She is also Senior Independent Director at Fidelity European Trust plc but will retire from that Board on 10 May 2022 after completing nine years' tenure.

Marion will succeed David Reeves as Remuneration Committee Chair following the AGM.

LEVEL 59
XP <1

COMMITTEE A N R E



NEIL THOMPSON
INDEPENDENT NON-EXECUTIVE DIRECTOR

Skills & Experience

Neil held a number of senior positions within Microsoft Corporation, including as part of the management team that launched Xbox in Europe and for a number of years ran Microsoft's Consumer and Devices business across EMEA. He has extensive experience of scaling new businesses across international territories and building resilient organisations in constantly changing environments. He is a Non-Executive Director at E.P. Barrus Ltd. and acts as a board adviser to start-up SaaS businesses.

LEVEL 55
XP <1

COMMITTEE A N R E

The Board is committed to the highest standards of corporate governance

ROSS GRAHAM
CHAIRMAN OF THE BOARD

Dear shareholders

As Chairman of the Board of Directors of Keywords Group plc, 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 robust corporate governance and it 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 to 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. An externally facilitated Board evaluation process in 2021 concluded that the Board operates effectively and actions were agreed to further enhance the Board's operations. Further details can be read on page 64.

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 Keywords; however, we strive to comply with the UK Corporate Governance Code where possible and practicable. 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.

The Board understands that the application of the QCA Code supports the Group's long-term success while 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 underpins the culture of the Company. These documents, together with our policies, govern how we conduct our business and set the standards that drive performance. Board oversight, reviews and audits form part of the monitoring and supervision process. A risk register is used to monitor our principal and emerging risks and risk processes are embedded and reviewed on an ongoing basis across the business. A newly established ESG Committee provides dedicated focus for the Board on environment, workforce, community and governance matters to ensure the long-term sustainable success of the Company. The important corporate governance developments at Keywords over the last year are outlined below, including the addition of two new Directors, adding diverse experience and knowledge to the Board, and numerous changes to remuneration arrangements to bring our executive remuneration in line with best practice.

In July 2022, I will have served as Chairman for nine years. Following a rigorous assessment of my performance and independence, in light of the recent executive-level changes, I have been asked by the Board to remain as Chairman for a further year to ensure the smooth running of the Board and an orderly succession process for the Chair position. As such, I will be presenting myself for re-election as a Director at the 2022 AGM.

Ross Graham

ROSS GRAHAM
CHAIRMAN OF THE BOARD

30 March 2022

	Principle	Disclosure within this report
1	Establish a strategy and business model which promote long-term value for shareholders.	Pages 7–20
2	Seek to understand and meet shareholder needs and expectations.	Pages 51–52, 64
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success.	Pages 34–52, 64
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation.	Pages 57–58, 66–68
5	Maintain the board as a well-functioning, balanced team led by the chair.	Pages 59–63
6	Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.	Pages 59–60, 82–83
7	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.	Page 64
8	Promote a corporate culture that is based on ethical values and behaviours.	Pages 34–36, 65
9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.	Pages 48–49, 62–63
10	Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	Pages 51–52

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 1 to 58.

Internal controls and risk management

The Board recognises the need for an effective and well-defined risk management process and it oversees and regularly reviews the Group's risk management and internal control mechanisms. The status of our principal risks is recorded in a comprehensive risk register and shared regularly with the Audit Committee, with key updates reported to the full Board. 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 7 to 20.

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 2021 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. 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 2021);
– Annual budget setting;
– Tight cash management;
– Annual strategy conference with top management team; and
– A defined organisational structure with appropriate delegation of authority.

The Company continues to strengthen its internal controls and cyber security policies and processes with maturing internal audit and cyber security functions with the support of specialist third party advisers.

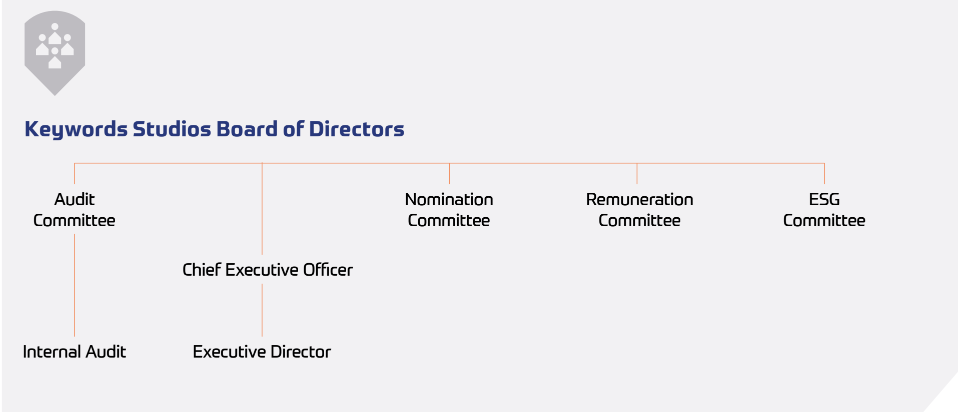
Further information on the Company's approach to risk management and internal controls can be also found in the Audit Committee report on pages 66 to 68.

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 59 and 60. Charlotta Ginman currently has six NED roles. Of those, three are investment companies that generally only have four to five meetings a year, and her other three roles are with AIM listed entities, with less regulatory burden than premium listed companies, and therefore Charlotta has sufficient time to devote to her Keywords role. Director time availability for each director is, however, something we assess on an annual basis as part of our Board evaluation.

The Board comprises two Executive Directors, Bertrand Bodson (CEO) and Jon Hauck (CFO), and six Independent Non-Executive Directors, Ross Graham (Chairman), David Reeves (Senior Independent Director), Georges Fornay, Charlotta Ginman, Marion Sears and Neil Thompson. Following a number of Board changes in the year, our Board diversity is currently 25% female Directors. The Company has approved an enhanced Board Diversity Policy, which demonstrates our commitment to improving gender diversity at Keywords and in the industry and a reflection of the changing demographic of our global gaming community. Details of Board changes in the year can be read in the Nomination Committee report on pages 82 and 83.



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 Chairman is expected to dedicate 60 days per annum. The Company has adopted a policy whereby all members of the Board are subject to re-election at each AGM. In practice, all the Independent Non-Executive Directors spend more than the minimum number of days on Company business and additional time has been dedicated by all Non-Executive Directors since Andrew Day's departure, to ensure effective oversight of the Company's activities and good communications with key stakeholders during a period of change.

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.

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 2021) and by telephone or videoconference. The COVID-19 pandemic has continued to restrict our ability to meet in person; however, the Directors, similarly to the Company's workforce working from home, have been able to continue to engage effectively with other Directors, shareholders and stakeholders using remote, videoconference, communications. Meetings are open and constructive, with every Director participating fully. Senior management are invited to meetings, providing the Board with a thorough overview of the Company. The Non-Executive Directors meet without the presence of the Executive Directors and maintain ongoing communications with Executive Directors between formal Board meetings.

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 Chair 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, Georges Fornay, Marion Sears and Neil Thompson. 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, and the auditor's performance and remuneration. 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 66 to 68.

Remuneration Committee

The Remuneration Committee is chaired by David Reeves, and its other members are Ross Graham, Charlotta Ginman and Marion Sears. Neil Thompson was appointed to the Committee in February 2022. When David Reeves steps down as a Director at the 2022 AGM, Marion Sears will succeed him as Chair of the Remuneration Committee. The Remuneration Committee is responsible for determining the remuneration of the Chair (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 on 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 69 to 81.

Nomination Committee

The Nomination Committee is chaired by Ross Graham. Charlotta Ginman, David Reeves, Marion Sears and Neil Thompson are the other members. Neil Thompson and Marion Sears were appointed to the Committee in February 2022. Further information on the Nomination Committee, including its role and responsibilities, can be found in the Report of the Nomination Committee on pages 82 and 83.

Disclosure Committee

The Disclosure Committee, responsible for assisting in the design, implementation and evaluation of the Company's disclosure controls and procedures, was reconstituted in 2022 as a sub-committee of the executive committee, in order to enhance the Company's ability to comply with the Market Abuse Regulation.

ESG Committee

Established in 2021, the ESG Committee is chaired by Georges Fornay. Neil Thompson, Marion Sears, Bertrand Bodson and Jon Hauck are the other members. The remit of the ESG Committee is to oversee the following areas which have been identified as environmental, social, and governance priorities: (i) people; (ii) diversity and inclusion; (iii) customer/client centricity and innovation; (iv) community; (v) environment; and (vi) corporate governance and business ethics. Further information on the ESG Committee, including its role and responsibilities, can be found in the ESG Committee report on pages 84 and 85.

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

The table on page 65 sets out attendance statistics for each Director at scheduled Board, and where relevant, Committee meetings held during the year.

Stakeholder engagement

The Board recognises that the long-term success of the Company relies upon good relations with other stakeholders, including employees, its contractors, customers, suppliers, regulators and community participants. The Board has put in place a range of processes and systems to ensure that there is close oversight and contact with its key resources and relationships. The ESG Committee enhances the Board's ability to oversee Group initiatives designed to promote the long-term success of the Company as a sustainable, well governed, responsible employer.

The Company has close ongoing relationships with a broad range of its stakeholders and provides them with the opportunity to raise issues and provide feedback to the Company. The Company conducts frequent customer feedback surveys, which broadens communication while simultaneously embracing influential developers and producers in the games industry and determining Company perception. In addition, client partners foster close relations with our key customers to achieve an understanding of their needs, interests and expectations in a holistic way spanning all of the Company's service lines.

The Board is committed to maintaining good communication and constructive interaction with all shareholders throughout its annual reporting cycle, holding analyst and investor presentations, Regulatory News Service releases, and information published on the Company's website. The Chair offers to meet with the largest shareholders during the year without management present. The Executive Directors meet shareholders and other investors/potential investors at regular intervals during the year and host broker and analyst meetings from time to time. The whole Board attends the AGM, which we regard as an opportunity to meet, listen and present to shareholders, and shareholders are encouraged to attend and ask questions. Although Director and shareholder attendance in person was restricted at the 2021 AGM due to ongoing government restrictions caused by the COVID-19 pandemic, shareholders were given the opportunity to submit questions to the Board in advance via email and a video conferencing facility was made available for shareholders and Directors to attend remotely. As a result, engagement between the Board and its shareholders was not impeded by the ongoing outbreak and subsequent changes to AGM arrangements. In addition, the Company receives reports and updates from proxy voting agencies on corporate governance and general meeting shareholder voting recommendations.

Full details of the Company's and the Board's engagement with its stakeholders is presented in the Strategic report on pages 51 and 52.

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 Chair and a survey regarding each of the Board's main Committees. An independent report on the findings of the Board and Committee surveys was prepared by ONE Advisory.

The evaluation process confirmed that the Board and its Committees, including the new ESG Committee, are working well and progress was noted for all areas highlighted for attention in 2021, as follows:

– Several members of the Senior Management Team presented at Board and Committee meetings, and a two-day Executive Summit was held in October 2021 which was attended by the entire Board and Senior Management Team.
– Further analysis of the strategic options for the Company, with Bertrand Bodson conducting a comprehensive review as part of his 100-day plan.
– Succession planning for the Chair and Senior Independent Director positions.

The Board will review the findings of the survey in the first half of 2022 and will develop an action plan to address the areas highlighted for attention in the coming year. These areas included:

– Succession planning to focus on candidates with media and entertainment, technology or videogame experience;
– More time at Board meetings dedicated to discussing (i) culture, and (ii) long-term strategic and operational plans; and
– Continue to enhance contact between the Board and Senior Management Team.

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 2022.

Advisers

The Board has regular contact with its advisers to ensure that it is aware of changes in corporate governance procedures and requirements and that the Group is, at all times, compliant with applicable rules and regulations. The Company had Director and Officers' liability insurance cover in place throughout the year and it is intended for the policy to continue for the year ending 31 December 2022 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.

The Company has retained Ellason LLP, who provide advice in relation to remuneration matters. Additional information can be found in the Remuneration report on pages 69 to 81.

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

Culture

The Board recognises that its decisions regarding strategy and risk may impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is also aware that the tone and culture set by the Board can have an important influence on 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.

During the year, the Board sponsored a new Group programme to develop the leadership skills of the Senior Management Team, thereby enabling an evolution of the Company's culture to reflect its growing size and increasing complexity.

With each new acquisition, we deploy our Integration Memorandum, a unified communication package delivered by an existing member of the Keywords executive team, in order to ensure a smooth transition into the Keywords family. This is designed to provide a consistency of culture throughout the Group, and also facilitates two-way communications.

A large part of the Company's activities is 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.

The Group operates a whistleblowing policy to encourage the reporting by employees of suspected misconduct, illegal acts or failures to act within the Group. The aim of this Policy is to create a safe environment for employees and others who have serious bona fide concerns about any aspect of the Group's work to come forward and voice those concerns without personal risk of penalisation or reprisal.

The Group also promotes employee engagement and receives feedback from employees through an annual employee survey, which is available for completion by all employees in the Group. The results of the survey are fed back for the consideration of the Board. In the survey conducted in 2021, we were delighted that, despite working from home arrangements implemented due to COVID-19, the feedback from our employees was positive overall and an improvement on results of previous years.

Further details can be found in the Our people, our culture (pages 34 to 36) and the Responsible business report (pages 37 to 49) sections of the Strategic report.

The ESG Committee is responsible for overseeing workforce matters, including corporate culture, further details of which can be read in the ESG Committee report (page 84).

Meetings and attendance

The following table shows the attendance of Directors at scheduled meetings of the Board and its Committees. The number of attendances is shown next to the maximum number of meetings the Director was entitled to attend.

Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	ESG Committee	Disclosure Committee
Ross Graham	11/11	5/5	7/7	4/4	–	2/2
Bertrand Bodson	1/1	–	–	–	1/1	–
Andrew Day	2/5	–	–	–	–	1/1
Jon Hauck	11/11	–	–	–	4/4	2/2
Sonia Sedler	11/11	–	–	–	4/4	2/2
David Reeves	11/11	5/5	7/7	4/4	–	2/2
Charlotta Ginman	11/11	5/5	7/7	4/4	–	2/2
Georges Fornay	11/11	5/5	–	–	4/4	–
Marion Sears	4/4	2/2	3/3	–	2/2	–
Neil Thompson	4/4	2/2	–	–	2/2	–
Giorgio Guastalla	11/11	–	–	–	3/4	–

It is noted that:

- Sonia Sedler joined the Board on 18 January 2021 and retired from the Board on 18 March 2022.
- Andrew Day retired from the Board on 14 June 2021.
- Marion Sears and Neil Thompson both joined the Board on 13 August 2021.
- Bertrand Bodson joined the Board on 1 December 2021.
- Giorgio Guastalla retired from the Board on 26 January 2022.

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Effective oversight of financial reporting, risk management and internal controls systems and the external auditor

CHARLOTTA GINMAN
CHAIR OF THE AUDIT COMMITTEE

Introduction from the Chair

I am pleased to present once again as Chair of the Audit Committee, the report for the year ended 31 December 2021. 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 2021

The Committee members, Ross Graham, David Reeves, Georges Fornay and myself, were joined by Marion Sears and Neil Thompson from September 2021. Ross will remain on the Committee for 2022, while David is due to retire during the year. The Audit Committee, as a whole, has competence relevant to the video games industry, both Ross Graham and I are Chartered Accountants and I also chair the audit committees for other public companies. More information about the Committee members can be found on pages 59 and 60. The Committee met five times during the financial year and the four members in place at the beginning of the financial year attended all Committee meetings throughout the year, with Marion Sears and Neil Thompson attending all meetings following their appointment. The majority of the meetings have been a hybrid of in-person and remote meetings by the use of technology, such as videoconferencing and board portal software. I am pleased to confirm that this has continued to work 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 are reviewed by the Board annually. 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

Key Reporting Issues

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

- Revenue recognition – we reviewed, as part of the regular CFO report, any areas of judgement relating to revenue recognition in client contracts;
- Business combinations – we reviewed, as part of the regular CFO report, the key business combination accounting assumptions;
- Valuation of goodwill and intangible assets – we received goodwill impairment review results, and challenged the underlying assumptions made; and
- Functional currency – we reviewed papers supporting the functional currency of the Group on a semi-annual basis.

Furthermore, we also spent time talking about management estimates and judgements in connection with bad debt provisioning (IFRS 9), going concern, taxation and treasury, and segmental reporting. 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 operations, financial and business model and the metrics management uses to measure performance;
- Whether suitable accounting policies have been adopted and have challenged the robustness of significant management judgements and estimates reflected in the financial results;
- The comprehensive control framework around the production of the Annual Report, including the verification processes in place to deal with the factual content;
- The extensive levels of review that are undertaken in the production process, by both management and advisers; and
- The Group's internal control environment.

The Group uses certain APMs to present its results alongside the statutory financial statements. These are non-GAAP measures used by management and the Board designed to provide the users with a further understanding of the trading performance of the business. An explanation of the APMs and a reconciliation to the nearest statutory equivalent measure is provided on pages 132 to 137.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31 December 2021, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, and it has reported on these findings to the Board.

Internal control and risk assurance framework

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

The semi-annual management confirmation by regional heads of operations and finance teams to the CFO, was extended to service line directors from June. Themes for 2021 included key policy roll-outs, risk reviews, internal controls and contract management. Management confirmed new procedures are in place and provided updates on key risks where applicable.

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 2021, the focus has been on the remaining locations in Europe and Asia and recent acquisitions, with the majority of studios (representing 92% of revenue as at December 2021, from 87% as at December 2020) are now migrated to the Netsuite 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 Q1 2022.

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 2021, the European studios continued to cash pool in key currencies, with new cash pools set up in North America, where we have multiple studios in the same jurisdiction.

The industry and our clients require the highest standards of security. During 2021, Keywords updated the Group Information Security Framework, to align to industry standards, and this security programme has been reviewed by an independent third party. The Audit Committee receives regular updates from the IT function on the state of the cybersecurity programme and the results of the external assurance review. Keywords continues to invest in its information security environment focusing on five key areas: Asset Management, Identity & Access Management, Governance Risk & Compliance, Security Operations and Resilience.

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 2021, the Audit Committee dedicated one of their five meetings to the risk register, considering the principal and emerging risks identified from both the top-down Board risk overview and the bottom-up Senior Leadership Team review. Climate change has been classified as an emerging risk for the Company and shall continue to be monitored closely. Further details of the principal risks and uncertainties faced by Keywords are identified on pages 57 and 58.

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 which was re-approved and signed off by the Audit Committee during the year. The 2021 Internal Audit plan was revised to take into account the continuing 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 for acquisitions made in 2020;
- Implementation and communication of Group policies including the new whistleblowing portal (see below);
- Sales and people process mapping in selected service lines;
- Review of access controls to key information; and
- Entity level controls mapped to the Committee of Sponsoring Organisations (COSO) framework.

In October 2021, the Audit Committee engaged Deloitte Ireland to provide a Risk Assessment and Internal Control review of the Group in co-ordination with Internal Audit, to:

- Gain an external view of the material risks, including financial and operational risks; and
- Develop and document an internal controls framework (expected controls by risk category) for five in-scope process areas.

Preliminary results of this review were presented to the Audit Committee in December 2021 and the final output will form part of the considerations for the 2022 Internal Audit plan, once complete.

Group policies

Key individual Group policies are reviewed and re-approved annually by the Audit Committee, including:

- Protected disclosures (whistleblowing) policy
- Anti-bribery and corruption policy
- Fraud and anti-theft policy
- Non-audit services policy
- Employment of former auditors policy
- Anti-tax evasion policy
- General information security & cybersecurity policies

Whistleblowing policy

During the year, Keywords engaged with an external provider to introduce a new whistleblowing portal to co-ordinate responses to protected disclosures received, and to securely handle confidential or anonymous reports in line with data privacy rules and the latest whistleblowing legislation in relevant jurisdictions where we operate.

The Audit Committee reviewed and approved the updated whistleblowing policy and the accompanying new process that the Group is rolling out globally. The policy allows a wide definition of employees and third parties, to raise any concerns they may have about possible financial or other irregularities confidentially. During 2021, two whistleblowing disclosures were reported, which were fully investigated and are currently being resolved (2020: none).

Audit regulation

In the year since my last report to you, the UK Department of Business, Energy & Industrial Strategy issued its white paper for consultation in March 2021, which proposes important charges for both corporate directors, audit committees and the external audit sector. The Audit Committee has considered the proposals and how they may affect the Company and await the publication of the final legislation.

External audit

Audit services

The Auditor is appointed by the shareholders annually to provide an opinion on financial statements prepared by the Directors. BDO, the Company's current Auditor, was first appointed in 2013. Currently, Stephen McCallion acts as our lead partner, following partner rotation last year. The Audit Committee will run a tender process during 2022, in line with best practice for corporate governance and auditor independence.

The auditor attends Audit Committee meetings. The scope of the current annual year-end audit was agreed in advance with the Committee with a focus on areas of audit risk and the appropriate level of audit materiality. The Committee also had discussions with the auditor on fees, internal controls, accounting policies and areas of critical accounting estimates and judgements. Following the audit, BDO reported to the Audit Committee on the results of the audit work and highlighted any issue which the 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 2021 audit, which were material and 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

The non-audit services policy was last updated in 2020 in line with the FRC ethical standards, and reviewed again during 2021. 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 €13,350 (2020: €13,000).

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 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

30 March 2022

In order to improve the clarity of our policies and outcomes, I have included a summary of Keywords' main action points in 2021 and 2022

DAVID REEVES
CHAIR OF THE REMUNERATION COMMITTEE

Strategic Policy

- Continued positioning of Executive Directors' remuneration: cash salary targeted at lower quartile to median, modest bonus capped at maximum 30% of base salary, salary shares for selected executives, 5% of base salary pension, continued emphasis on Long-Term Incentive Plan (LTIP) awards vesting on relative Total Shareholder Return ("TSR") performance.

FY 2021

- CEO took extended leave from March due to illness and retired in June. Treated as a good leaver.
- Appointment of incumbent COO and CFO as Interim Joint CEOs with clear, redefined responsibilities and financial and non-financial objectives from 15 March to 30 November 2021. Awarded acting-up allowances of £75,000 each, split 50% cash and 50% salary shares.
- LTIP awards granted to Executive Directors in 2021 with vesting based on Relative TSR, with a change to the benchmark for awards granted in May from the FTSE Small Cap to the FTSE 250 Index (excluding Investment Trusts).
- Appointment of new CEO from 1 December 2021. Remuneration in line with policy and comprising median salary (of £600,000) relative to relevant industry benchmarks, bonus of up to 30% of base salary, pension of 5% of base salary, plus 275% of base salary LTIP awards. An LTIP grant was made for 2021, together with an additional restricted stock award to compensate for remuneration foregone at his previous employer.
- Increase of £50,000 in base salary for incumbent CFO to £295,000, based on defined expanded role and increased responsibility for M&A programme from 1 December. Resulting harmonisation of COO and CFO remuneration packages.
- COO and CFO overall single figure remuneration for 2021 did not include any LTIP vesting but reflected 100% bonus pay-out for each executive for achieving financial and non-financial objectives, and salary shares.
- New CEO FY21 bonus of 30% of base salary (one month pro rata).
- CEO's single composite pay ratio disclosed (includes Andrew Day until end March 2021, co-CEOs for the period April-November, Bertrand Bodson from 1 December 2021).
- New global employee share-save scheme established in 2021.
- No UK Government support was received in 2021 in respect of COVID-19; modest government support was received in three overseas operations and which will be repaid.
- US$500,000 hardship fund to support COVID-19 affected employees (uptake $72,820 at end December 2021) and will be continued in 2022.
- NED base fees and Committee membership fees disclosed.
- Directors' interest in shares disclosed.

FY 2022

- Base salary increases of 3.5% in March awarded to COO and CFO, in line with or below the level of increase for Keywords studio staff in UK and Ireland. No increase for new CEO given his recent appointment.
- Sonia Sedler stepped down from the Board on 18 March 2022 and left the company for personal reasons. Treated as a good leaver.
- Salary share award of £60,000 for CFO, to supplement lower quartile base salary which attracts neither pension nor bonus, and which vests in annual one-third increments subject to continued employment.
- Clear financial and non-financial objectives for the bonus (weighted 60/40) set for Executive Directors based on the Group's Strategic objectives (pages 73 and 77).
- LTIPs in 2022 to vest, as before, on three-year relative TSR performance versus the FTSE 250 (excluding Investment Trusts), with vesting of 25% at median TSR and full vesting at 20% outperformance.
- Increased shareholding requirements for Executive Directors, plus the introduction of a one-year post employment requirement (page 74).
- Share plans for workplace remuneration will provide a competitive advantage for Keywords in attracting talent versus smaller independent studios.
- Continued oversight of wider Group pay mechanics to ensure retention of employees.
- Clear, direct links between each remuneration element and our strategic objectives as demonstrated in the remuneration policy table (page 73).
- Clear cognisance taken of workforce pay versus Executive Director remuneration.
- LTIP grants based on percentages of base salary level from 2022.

Dear fellow shareholders

As Chair of the Remuneration Committee, it is my pleasure to present the Directors' remuneration report for the period ended 31 December 2021. 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 but the Board recognises the importance of shareholder transparency and standards of governance. Therefore, as with last year, 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 continued to implement a simple Executive Director Remuneration structure comprising base salary, pension, annual bonus capped at 30% of base salary, salary shares to supplement if salaries are below the 25th percentile, and a LTIP. This structure provides a clear and direct link between pay and our key strategic priorities and is aligned with shareholders' interests; the majority of the overall remuneration opportunity is performance-based, primarily reflecting Total Shareholder Return ("TSR"). The pension offered to Executive Directors, of 5% of base salary, is the same as that offered to the local workforce, and we are incorporating updates to our Remuneration Policy in keeping with best practice.

The Group delivered a very strong performance in 2021 with good growth in revenue and profit, and exceptional strong cash generation despite the continued industry disruption caused by the COVID-19 pandemic. We completed six acquisitions during the year, further strengthening the breadth and depth of the Group's value-added services offered to our global video games clients.

During the year and since the year end, a number of executive changes also took place and our remuneration report explains how we addressed these. In the year, our Founder CEO, Andrew Day, retired due to illness, and the Board appointed Jon Hauck, CFO, and Sonia Sedler, COO, as interim co-CEOs. Following a search process, Bertrand Bodson joined as our new CEO on 1 December 2021, following which Jon and Sonia returned to their roles of CFO and COO respectively. Also, in December, Jon's role was expanded to include M&A, as described below. Since the year end Sonia has left the company for personal reasons and her exit arrangements are described on page 78.

2021 remuneration and vesting outcomes

Andrew Day acted as CEO until 15 March 2021 when he took a leave of absence due to illness, and subsequently retired from the business on 14 June 2021. Andrew's exit remuneration arrangements are described on page 78.

Jon Hauck and Sonia Sedler acted as CFO and COO respectively until they were appointed as interim co-CEOs on 15 March, an arrangement that lasted until 30 November. In this interim period, Jon and Sonia each received supplementary remuneration of £75,000, paid as cash of £37,500 and salary shares of £37,500. Salary shares are subject to continued employment, vest in one-third annual tranches over three years, and attract neither pension nor bonus.

On 1 December 2021, the responsibilities of Jon Hauck, CFO, were expanded to include M&A, which had previously been specifically under the direction of Andrew Day. Jon's base salary was increased by £50,000 in recognition of his increased responsibilities.

Bonuses for the 2021 financial year were based on a scorecard of financial (weighted 70%) and non-financial (weighted 30%) measures. The outcomes, as determined by the Committee, and directly linked to the Group's strategic objectives, have generated bonuses of 30% of salary for the Executive Directors, except for Andrew Day who did not earn a bonus for FY21, as described on page 77.

An LTIP award granted to Andrew Day in 2018 vested on 18 May 2021. These awards vested based on TSR performance vs the Numis Smaller Companies (excluding Investment Trusts) Index. Full vesting required Keywords TSR to outperform the Index over the three-year period by 20%. Based on Keywords' TSR performance, these awards vested in full.

No LTIP was due to vest in the year for the CFO or COO. Overall, during the year, Jon Hauck, CFO, earned a single figure remuneration of £456k, and Sonia Sedler £479k. These amounts include the salary shares awarded as a supplement to base salary, the 2021 bonus vesting plus the supplementary remuneration awarded for their co-CEO tenures, including further salary shares.

On 1 December, Bertrand Bodson joined as our new CEO and his remuneration was disclosed at that time. This is further set out on page 78; it follows the same structure as for the other Executive Directors and is in line with our Policy. Bertrand's base salary is median for FTSE250 companies; we chose to incentivise him by awarding a 2021 LTIP equivalent to 275% of salary, and restricted shares to the value of 100% salary (subject to employment) to compensate on a like-for-like basis for remuneration foregone at his previous employer. We have also applied increased shareholding requirements and adopted post-cessation shareholding requirements to Bertrand's remuneration, in line with good practice.

Stakeholder considerations

The Committee has considered the experience of each stakeholder group in 2021 and determined that the remuneration outcomes described above are fair and reasonable and that no discretion needed to be exercised to adjust outturns or to address windfall gains. In coming to this conclusion, the Committee took into account the following factors:

- The financial performance of the Group has been strong;
- The Group resumed paying a dividend at the half-year and has declared a full-year dividend in line with the dividend policy, as noted on page 56;
- No UK Government support was received in 2021 in respect of COVID-19; the modest government support which was received in 2021 in three of our overseas operations (totalling c.€330k) in respect of COVID-19 will be repaid;
- The employee engagement score increased;
- All staff received a pay review according to local market conditions, performance and tenure; and
- The establishment of a hardship fund available to employees suffering as a result of COVID-19.

2022 Remuneration

Our philosophy for future years will continue to be based around using pay to reinforce long-term decision making and alignment with shareholders, and we have an established structure which is cascaded through the organisation to align the leadership and management teams. The use of salary shares, which attract neither pension nor bonus, to supplement salaries which are below lower quartile also provides flexibility and aids long-term retention.

In 2022, the CEO's salary will remain at the level upon appointment, while the base salary of the CFO and COO increased by 3.5% with effect from 1 March, in line with or below the increases for the UK workforce. Since the year end Sonia has left Keywords. We will award salary shares of £60,000 to Jon Hauck to help compensate for the below 25th percentile positioning of his cash salary, and ensure overall a competitive level of fixed pay in line with our stated philosophy. The pension supplement, at 5% of salary for all executives, will be in line with the UK workforce average in 2022, and the bonus opportunity will remain at 30% of salary. Bonuses for the CEO and CFO in 2022 will be based 60% on financial metrics and 40% on well-defined and disclosed non-financial objectives and will be directly linked to our overall strategic objectives (pages 72 and 73).

The Committee reviewed the LTIP grant policy during 2021 and concluded that awards from 2022 would be granted on the basis of face value, rather than the fixed-number of shares approach used in previous years. The Committee took this decision after considering feedback from shareholders as well as desiring a greater consistency with market practice. We intend to award an LTIP in 2022 to the CEO and CFO equal to 275% of base salary (which is broadly consistent with the values we have granted over prior years), using the same TSR metric to govern vesting as in 2021. As flagged in last year's report, 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 was equivalent to FTSE 170 and AIM top 10) to be the FTSE 250 excluding investment trusts. Overall, the remuneration package for 2022 places our Executive Directors between lower quartile to median for base salary plus salary shares, at lower decile for annual bonus opportunity, but in the upper quartile for the LTIP award quantum. The Committee believes the package puts emphasis on increasing value for shareholders, and incentivises exceptional performance.

Shareholder Engagement

On behalf of the Committee, I discussed our plans for 2021 remuneration with Keywords' largest shareholders and relevant proxy agencies in January 2021 and considered the feedback from these meetings in finalising the details of the changes. I notified major shareholders in March 2021 of our conclusions; this engagement also provided the foundation for the further work we have conducted with regard to updating the Remuneration Policy and LTIP rules this year. Our remuneration structure is broadly consistent with FTSE main market good practice, and we thank those shareholders who contributed their time and feedback, which was useful in shaping the design.

Policy and LTIP updates

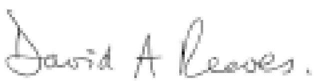
In 2021, as we addressed executive change, we took the opportunity to update our Remuneration Policy to include certain best practice developments. Accordingly, the Committee adopted an updated Policy in December 2021; the main elements of this include increased shareholding requirements, the introduction of a post-cessation shareholding requirement, and updated malus and clawback provisions. Our LTIP rules have also been updated; the main amendments are updated malus and clawback provisions, clarification around the use of Remuneration Committee discretion in the event of a change of control, and alignment with best practice in the leaver arrangements.

Workforce remuneration

We have provided more disclosure in this year's report describing the Committee's oversight of workforce remuneration. Equity ownership across all organisational levels, not just the Executive Directors, is important to the philosophy of pay at Keywords, and we regard it as a competitive advantage for our recruitment and M&A brand. During 2021, Keywords introduced a new all-employee share-save scheme which enabled staff at all levels to purchase Keywords shares, in common with the arrangements used at many of our peers. The Company will be looking to continue this scheme in 2022 as well as keeping the Remuneration Policy and its execution under constant review to ensure it delivers a workforce pay philosophy which is consistent with that of the Executive Directors, promotes the retention of staff in a competitive industry, enhances the shareholder experience and is directly aligned with 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.

After nine years as a Non-Executive Director at Keywords, I am stepping down from my positions as a Director, Remuneration Committee Chair and Senior Independent Director at the 2022 AGM. I will be succeeded as Remuneration Committee Chair by Marion Sears, who joined the Committee in August 2021.



DR DAVID REEVES
CHAIR OF THE REMUNERATION COMMITTEE

30 March 2022

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 forthcoming financial year.

Element	Remuneration in 2021	Remuneration in 2022
Base salary	**With effect from 1 January 2021:** CEO (A Day): £325,000 CFO: £245,000 COO: £295,000 (from 18 January 2021) **With effect from 15 March 2021** CFO: £282,500 COO: £332,500 Both increases to reflect co-CEO duties **With effect from 1 December 2021** CEO (B Bodson): £600,000 (on appointment) CFO: £295,000 (increased to reflect additional responsibilities) COO: £295,000 (i.e. reversion to regular COO level)	**With effect from 1 March 2022** CEO (B Bodson): £600,000 (no increase) CFO: £305,325 (3.5% increase) COO: £305,325 (3.5% increase until departure on 18 March)
Salary shares	**Regular awards** Shares were granted with the following values: CEO (A Day): £75,000 CFO: £40,000 COO: £10,000 **Awards to reflect additional responsibility** Shares were granted with the following values: Co-CEO (J Hauck): additional award of £37,500 Co-CEO (S Sedler): additional award of £37,500	**Regular awards** Shares will be granted with the following values: CEO: nil CFO: £60,000
Pension	CEO (A Day): 3% of base salary CFO: 5% COO: 5% CEO (B Bodson): 5%	5% of base salary for all Executive Directors
Annual bonus	Maximum opportunity of 30% of base salary based on: – Financial targets, including turnover and profitability (weighted 70%) – Individual performance vs Non-Financial Objectives (weighted 30%) The Committee determined 2021 performance warranted bonuses of 30% of base salary for all the Executive Directors in role at the year end. The bonus for B Bodson was pro-rated to reflect his tenure in the role. No bonus was paid to A Day	Maximum opportunity of 30% of base salary based on: – Financial targets, including turnover and profitability (weighted 60%) – Individual performance vs Non-Financial Objectives (weighted 40%)
LTIP	CEO (A Day): 50,000 shares CFO: 25,000 shares COO: 35,000 shares as a regular award, plus a further 25,000 shares as compensation for forfeited awards at previous employer CEO (B Bodson): a regular LTIP award of 275% of base salary, plus time-vesting restricted stock of 100% of base salary as compensation for forfeited awards at previous employer All regular LTIP awards vest on TSR vs the FTSE250 (the COO's joining award vests on TSR vs the FTSE Small Cap)	275% of base salary for all Executive Directors Same performance conditions as for the 2021 regular award

SECTION 1: DIRECTORS' REMUNERATION POLICY

Policy and principles

The Remuneration Committee determines the Company's policy on the remuneration structure for the Executive Directors and Senior Management Team, and is responsible for oversight of the remuneration policy for the broader employee population.

The objectives of this policy are to:

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

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

- Base salaries are 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 have been used to ensure a more competitive position is achieved in a structure which is aligned with shareholders;
- Annual bonuses are set at modest levels, with a maximum of 30% of base salary, on the premise that an annual bonus should not unduly encourage short-term behaviour or commitment of a senior executive; 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.

Executive Director remuneration components

Various remuneration components are combined to ensure an appropriate and balanced remuneration package which reflects the size and complexity of the Group, the executive's experience, responsibility and position, as well as 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 (base salary, pension and, where appropriate, salary shares)
- Performance-based remuneration (annual bonus and LTIP grants)

These elements are detailed in the table below, which refers to the structure used for the Executive Directors; the structure is cascaded down to the Senior Management Team albeit with some variation to reflect the typical market practice for this executive level.

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 cash salaries at the lower quartile of relevant comparator groups, as it was evident that the Keywords CEO and CFO salaries were significantly lower than this target position. Following shareholder consultation in January 2021, the Committee approved the introduction of 'salary shares' where base salaries are below lower quartile. Salary shares were awarded in 2021 and it is envisaged that the Committee may need to make an annual award of salary shares for the CFO. Salary shares vest in one-third annual tranches over three years subject to continued employment. Salary shares are not intended to be part of the regular CEO remuneration package as his cash salary is approximately median level versus our comparator companies.

During 2021, the Remuneration Committee updated the Policy and LTIP scheme rules further to incorporate shareholding requirements, including a post-cessation extension. The terms relating to the use of Remuneration Committee discretion in determining vesting levels in the event of change of control were also updated, as were malus and clawback, and leaver treatment provisions.

SECTION 1: DIRECTORS' REMUNERATION POLICY CONTINUED

Executive Director Remuneration Components continued

The updated LTIP scheme and the Policy updates are described below.

Purpose and link to Strategy	Operation	Opportunity	Performance measures
Base salary			
To attract and retain talented executives to deliver the Group's strategy, by ensuring base salaries and the implied total package are competitive in relevant talent markets, while not overpaying.	Base salaries are reviewed by the Committee annually and benchmarked periodically against comparable roles at comparable companies of similar size and complexity. Paid in cash.	Salaries are set on a case-by-case basis to reflect the role, the experience and qualifications of the individual. Base salary increases for the executives take into account personal performance, Group performance, significant changes in responsibilities, the average increase awarded to the wider workforce, and competitive market practice. In the normal course, the expectation is that base salary will increase annually in line with, or below, any increase paid to the wider workforce.	n/a
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 over three years subject to continued employment, with annual one-third vesting. Salary shares are not bonusable or 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 at least at the 25th percentile 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, an executive may participate in a pension scheme facilitated by the Company. The Company also provides access to Group benefit schemes where appropriate by region which may include moderate contribution towards private health insurance, death in service cover and other Group-based benefits.	The Company provides access to pension schemes based on local legal requirements or where expected by local labour markets. Contributions meet the minimum requirements or are of a modest level. Basic additional benefits may also be provided where available and where considered the norm for managerial positions in similar businesses. An amount is paid equivalent to a percentage of base salary not exceeding the average paid in respect of the local workforce (currently 5% in UK).	n/a
Annual bonus			
To provide a modest award where individual and Company performance have been at or above expected levels.	Executives are eligible to participate in an annual bonus scheme. The Remuneration Committee reviews targets and the weighting of performance measures each year.	Up to a maximum of 30% of base salary. Paid in cash.	The portion of bonus earned in any one year depends on the Remuneration Committee's assessment of each individual's performance and the overall performance of the Company against predetermined targets for the year. Performance targets are majority weighted on the Company's financial performance and minority weighted on performance against strategic and personal targets. The Remuneration Committee has discretion over outcomes; for example, if the Company's financial performance is considered to be unsatisfactory, the element based on personal performance is likely to be foregone or reduced.
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 10 years from grant. Malus and clawback provisions apply.	Maximum opportunity 300% of base salary. Dividends are accrued over the vesting period.	Vesting of LTIP awards is subject to continued employment during the performance period and the achievement of performance conditions based on Total Shareholder Return (TSR). The Committee has the discretion to adjust the outcome in exceptional circumstances to ensure it is a fair reflection of underlying performance. Further details, including the performance targets attached to the LTIP in respect of each year will be disclosed in the relevant implementation report on remuneration (subject to these being considered not to be commercially sensitive). For Executive Directors, a proportion (currently 25%) of LTIP shares vesting after tax and NI must be held to build towards the required shareholding.

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. To align the interests of Executive Directors with those of shareholders, and to promote long-term thinking, the Remuneration Committee introduced shareholding requirements which apply to all LTIP awards made to Executive Directors with effect from 1 December 2021. The Committee has adopted shareholding requirements which apply both during employment and for a period following employment, although the Remuneration Committee retains the right to waive this requirement in exceptional circumstances such as death, ill health or severe financial hardship.

The CEO is required to build a shareholding equivalent to 250% of base salary, and other Executive Directors 200% of base salary, to be built over time, but with a requirement to hold 25% of any LTIP shares vesting (after tax and NI) until the required shareholding level is achieved. On departure, an Executive Director must continue to hold the required shareholding (or their actual shareholding if lower) for 12 months. These requirements will be first applied to LTIP shares granted in 2022 and beyond, and not applied to salary shares.

Details of the Executive Directors' current shareholdings are provided on page 80.

Recovery provisions (malus and clawback)

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

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

Use of discretion

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

Process for determining the remuneration policy

The 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 during 2022:

Executive Director	Position	Date of appointment	Date of service agreement	Notice period
Bertrand Bodson	CEO	1 Dec 2021	19 Sep 2021	6 months
Jon Hauck	CFO	14 Oct 2019	30 Sep 2019	6 months
Sonia Sedler	COO	18 Jan 2021	7 Dec 2020	6 months

Remuneration for the wider workforce

The Remuneration Committee receives information about the composition of the wider workforce, it has visibility of the overall pay structures in place throughout the Group and it has specific responsibility for senior management LTIP and Stock Option awards. The remuneration policy for all employees is based on principles consistent with those that are applied to executive remuneration, with the common objectives of driving financial performance, achieving strategic objectives and contributing to the long-term success of the Group. Objectives and performance conditions are set for Executive Directors and as far as possible are cascaded through the organisation to align the whole workforce strategically. We regard the use of share plans in management remuneration as a competitive advantage for Keywords Studios: LTIP and Stock Option awards create alignment with shareholders, incentivising and retaining, and, in total, 1,019 employees received share awards in 2021, an increase of 20% vs 2020.

Keywords Studios currently employs over 10,000 people in 23 countries on a variety of permanent and flexible contract types, and salary levels range across our service lines from minimum wage equivalent to highly paid technical experts. The complexity of this matrix means that remuneration is structured by country for employment type, local salary awards, pensions and bonus, and centrally by banding for the wider leadership team globally, with input and guidelines provided by the Remuneration Committee.

Annual salary reviews take into account performance, local pay and market conditions plus salary for similar levels for similar roles in comparable companies and this is reviewed on a country level during the budget process. Most permanent employees are eligible to participate in annual bonus schemes.

For the senior leadership team, the remuneration structure mirrors that for Executive Directors comprising salary, pension in line with local workforce, bonus up to 30% of salary, and LTIP or Stock Options. Performance metrics for the bonus are set to reflect an individual's specific objectives but the performance conditions for all LTIP awards are the same throughout the company. In 2021, awards over 1.1% of share capital were made under the LTIP to 400 members of the senior leadership team, and awards over 0.8% of the share capital were made under the Employee Stock Option Plan to 619 members of the management team. The LTIP awards cover a three year performance period and are subject to performance conditions as well as continued employment, whereas the Employee Stock Options do not carry a performance condition but are subject to employment with vesting after two, three and four years.

In 2021, an all-employee share-save plan was introduced under which our employees can save up to £416 per month over a six-month period and subsequently invest in shares at a 10% discount to the share price on the date their plan period ends.

SECTION 1: DIRECTORS' REMUNERATION POLICY CONTINUED

The total employee population at 31 December 2021 of 10,509 consists of 74% male and 25% female employees (with the remaining 1% choosing not to disclose), although there is wide variation of gender balance by geography. There is an ongoing focus on female recruitment and the Group is proud to have become a sponsor for Women in Games during 2021. The Group complies with equal pay directives across all its locations, conducting periodic assessments and analysis, and the Board is satisfied that there is equal gender pay given location and roles. The latest data (for 2021) shows that our gender pay gap has reduced to ~3% for both our mean and median hourly rate pay. In particular, the Board of Directors recently discussed the results of the 2021 Global Gender Equality Pay Review and noted that differences in favour of males or females were accounted for by seniority, experience, length of service, and speciality within roles.

The CEO pay ratio disclosed relates only to our UK workforce of 679 employees. The ratio for 2021 of 38:1 is a composite number reflecting a year of change; in the period Andrew Day served six months as CEO, Sonia Sedler and Jon Hauck together served eight months as Joint Interim CEOs and Bertrand Bodson served one month as our new CEO.

External appointments held by Executive Directors

Executive Directors may not accept any external appointment without the consent of the Board. Any associated fees are retained by executives and the Board approved Bertrand Bodson's other Board appointments at the time of his appointment.

Consideration of shareholder views

The Remuneration Committee took into consideration major shareholder views, and those of their representative agencies, during the year and will continue to do so in 2022. AGM voting and other shareholder feedback is important in shaping the Company's implementation of its Remuneration Policy as well as any changes to the Policy.

Leaver treatment

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

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

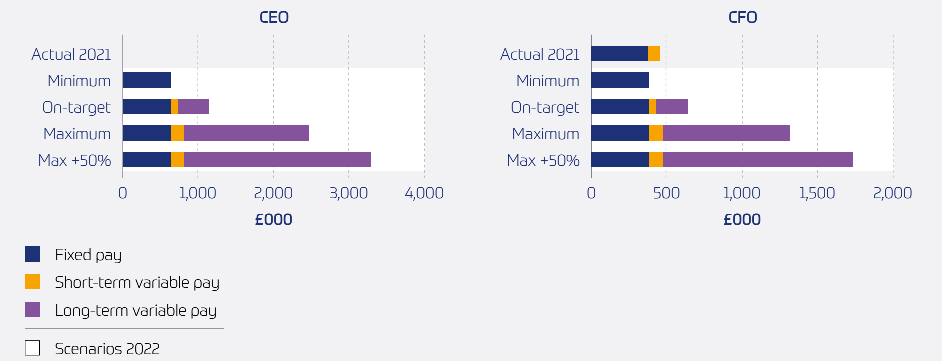
Good leavers (normally including such circumstances as retirement, death, disability and redundancy) are permitted to exercise unvested LTIP awards, reduced pro rata to reflect the remaining vesting period (unless such reduction is waived by the Remuneration Committee) and to the extent that the performance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

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

Pay for performance scenario analysis

The charts below provide an estimate of the potential future reward opportunities for the CEO and CFO 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 2021.A graph is not provided for Sonia Sedler as she left the company on 18 March 2022 and her single figure remuneration for 2021 is provided on page 76.

Potential reward opportunities are based on the Remuneration Policy, applied to 2022 base salaries and incentive opportunities. Note that the LTIP awards granted in a year will not normally vest until the third anniversary of the date of grant, and the projected value excludes the impact of share price movement except in the "Maximum +50%" scenario.



Assumptions:
"Actual 2021": Fixed remuneration (2021 base salary, salary shares, pension), bonus paid for 2021 and LTIP vesting in 2021.
"Minimum": Fixed remuneration only (2022 base salary, salary shares, pension).
"On-target": Fixed remuneration as above, plus target bonus (50% of maximum) and threshold LTIP vesting (25% of maximum)
"Maximum": Fixed remuneration, plus maximum bonus (30% of base salary) and full vesting of LTIP awards
"Maximum+50%": As per Maximum scenario but with an assumption of share price growth of 50% over the three-year performance period for LTIP awards.

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.

SECTION 2: IMPLEMENTATION OF THE REMUNERATION POLICY IN 2021

The Remuneration Committee

The members of the Remuneration Committee in 2021 were David Reeves (Committee Chair), Charlotta Ginman, Marion Sears and Ross Graham. The members are all independent Non-Executive Directors. In the year ended 31 December 2021, the Remuneration Committee met on seven occasions. The three members in place at the beginning of the year financial year attended all Committee meetings throughout the year, with Marion Sears attending all meetings following her appointment on 13 August. On occasion, the CEO, the CFO, the COO and the Global HR Director attended meetings, all at the request of the Committee Chair.

As the financial year 2021 is his ninth year as a Non-Executive Director, David Reeves intends to step down from his role as Remuneration Committee Chair following the May 2022 AGM. This is following the guidance in the UK Corporate Governance Code that a Non-Executive Director is no longer considered independent if he has been in the position for nine years. Following the AGM, the role of Remuneration Committee Chair will then be held by Marion Sears, who will have been a member of the Remuneration Committee since August 2021.

The Company Chair and the Chair of the Remuneration Committee also met with key investors and relevant proxy agencies in 2021 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 Chair (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.

The Committee appointed Ellason to provide independent advice to the Committee from 1 January 2021. Ellason supported the Remuneration Committee on remuneration-related matters during the year. Ellason is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. Ellason does not have any other association with the Company and is considered independent by the Committee.

Directors' emoluments

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

	2021 Fixed pay £'000					2021 Variable pay £'000			2021 Total remuneration
Director	Cash salary/fee	Salary Shares	Benefits	Pension	Total	Bonus	LTIP[7]	Total	£'000
Bertrand Bodson[1]	50			2.5	52.5	15.0		15.0	67.5
Jon Hauck[2]	279.8	77.5		14.3	371.6	84.0		84.0	455.6
Sonia Sedler[2,3]	319.3	47.5		15.9	382.7	95.8		95.8	478.5
Andrew Day[4]	61.2			4.9	66.1		1,226.0	1,226.0	1,292.1
Ross Graham[5]	132.5				132.5				132.5
David Reeves[5]	94.3				94.3				94.3
Giorgio Guastalla	51.8				51.8				51.8
Georges Fornay	62.3				62.3				62.3
Charlotta Ginman[5]	89.3				89.3				89.3
Marion Sears[6]	22.8				22.8				22.8
Neil Thompson[6]	21.3				21.3				21.3
TOTAL	1,184.6	125.0		37.6	1,347.2	194.8	1,226.0	1,420.8	2,768.0

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

The remuneration for the Directors of the Company for the 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 pandemic.
2. Based on share price vesting date of 15 May 2020 @£14.95 for 52,000 LTIPs.

SECTION 2: IMPLEMENTATION OF THE REMUNERATION POLICY IN 2021 CONTINUED

Salaries in 2021

The following cash salaries were applied in 2021:

- Andrew Day: £244,800
- Jon Hauck: £204,000 up to 1 March, £245,000 between 1 March and 30 November, and £295,000 to reflect the CFO's additional responsibilities from 1 December
- Sonia Sadler: £295,000 on her appointment in January
- Bertrand Bodson: £600,000 on his appointment in December

The following salary shares were granted in 2021:

- Andrew Day: £75,000 (but which subsequently lapsed on his departing the Board)
- Jon Hauck: £40,000
- Sonia Sadler: £10,000

The salary shares vest, subject to continued employment, in annual one-third tranches starting in May 2022 (see note below).

In addition, to reflect their contribution to the co-CEO role during the year, Jon Hauck and Sonia Sedler also were each granted one-off allowances as follows:

- Additional cash salary: £37,500
- Additional salary shares: £37,500, vesting in one-third annual tranches starting September 2022 (see note below).

Note: when the salary shares were originally introduced, the Remuneration Committee intended that the awards would be granted at the same time as LTIP awards, and vest in one-third annual increments. The complications around CEO succession in FY21 presented certain logistical challenges which meant the 'regular' salary shares (i.e. not the one-off co-CEO top-up allowances) were granted later than LTIP awards. The one-off co-CEO top-up salary shares were stated in the RNS at time of grant to vest after two years. The Committee has subsequently harmonised the vesting schedule under the new LTIP rules so that all salary shares granted in FY21 will be subject to one-third annual vesting, and with the vest dates for the regular salary share awards to be as if they had been granted at the same time as the FY21 LTIP awards (in May 2021).

Pension

During 2021, the Executive Directors were paid pension contributions of 5% of salary, except for Andrew Day who was paid 3%.

Annual bonus outcome for 2021

During 2021, the Executive Directors participated in the annual bonus scheme, and were eligible to earn awards of up to 30% of base salary, subject to the attainment of specific targets 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 22 and 23) and on the Remuneration Committee's discretionary assessment of each individual's performance (weighted 30%).

The financial targets were based on Revenue (weighted 20% of bonus), Gross Margin (20%), EBITDA margin (15%), working capital as % of revenue run rate (10%) and overall EBITDA from acquisitions (5%). Performance against the targets set for the year was assessed by the Committee, and the Committee determined that 100% of the financial component was warranted. The targets are not disclosed due to commercial sensitivities.

The discretionary element considers the Director's performance for the year against non-financial targets, under various categories. The non-financial objectives for the CFO included Management Accounts targets (6% of bonus), ESG (6%), Internal control (6%), Treasury management (6%) and Financial Systems (6%). The non-financial objectives for the COO included those based on organisational development (6% of bonus), global operating systems (6%), operational KPIs (7.5%), contact with operational heads of major clients (3.5%), tiered vendor structure (4%) and specific key project implementation (3%). As Bertrand Bodson was appointed only in December, his non-financial component was based on a discretionary assessment by the Remuneration Committee of the achievement of his 'first 100-day objectives' to the extent they were relevant over this first 30-day period.

The Remuneration Committee considered performance against all the non-financial objectives set for the Executive Directors, and the difficult circumstances of the executive changes, and determined that each Director had achieved full vesting under this component of the bonus.

Bertrand Bodson's bonus has been prorated to reflect time served during the 2021 financial year. As a result of his retirement, Andrew Day was not eligible to be paid a bonus for 2021.

Director	Formulaic outcome, % of base salary	Bonus for 2021
Bertrand Bodson	30%	£15,000
Andrew Day	n/a	£nil
Jon Hauck	30%	£83,950
Sonia Sedler	30%	£95,778

Long-term incentives vesting in 2021

In May 2018, Andrew Day was granted an LTIP award over 50,000 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 18 May 2021, with 10% vesting for TSR in line with the Index and full vesting for 20% outperformance. Based on Keywords' TSR performance, which outperformed the Index by 27.7%, the awards fully vested.

Other long-term incentives outstanding during 2021

LTIP awards granted to the Executive Directors in May 2019, September 2019 and May 2020 remained outstanding during 2021. Vesting of the 2019 and 2020 awards requires Keywords TSR to outperform the FTSE Small Cap Index over a three-year period. Threshold vesting (10% of the award) will be earned for TSR in line with the Index and full vesting will be earned for exceeding the Index TSR by 20% over the performance period. Based on performance up to 31 December 2021, the 2019 and 2020 awards would fully vest (see TSR performance chart on page 78).

Long-term incentives granted during 2021

In 2021, the Executive Directors were awarded LTIPs, the vesting of which is based on the Company's TSR performance versus the FTSE 250 Index (excluding investment trusts) over a three-year performance period. Given Keywords' growth during the period the Committee deemed it appropriate to use the FTSE 250 as the Index against which TSR should be measured. Threshold vesting (25% of the award) will be earned for TSR in line with the Index and full vesting will be earned for exceeding the Index TSR by 20% over the performance period.

SECTION 2: IMPLEMENTATION OF THE REMUNERATION POLICY IN 2021 CONTINUED

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

On her appointment, Sonia Sedler was also awarded a one-off grant of 25,000 shares in compensation for awards she forfeited on joining Keywords. Following her departure in March 2022, these awards have been treated in accordance with Good Leaver rules and Sonia's exit remuneration is described opposite. This award over 25,000 shares will vest according to Keywords relative TSR performance vs the FTSE Small Cap Index over the three years to January 2024, in line with LTIP awards granted in 2020.

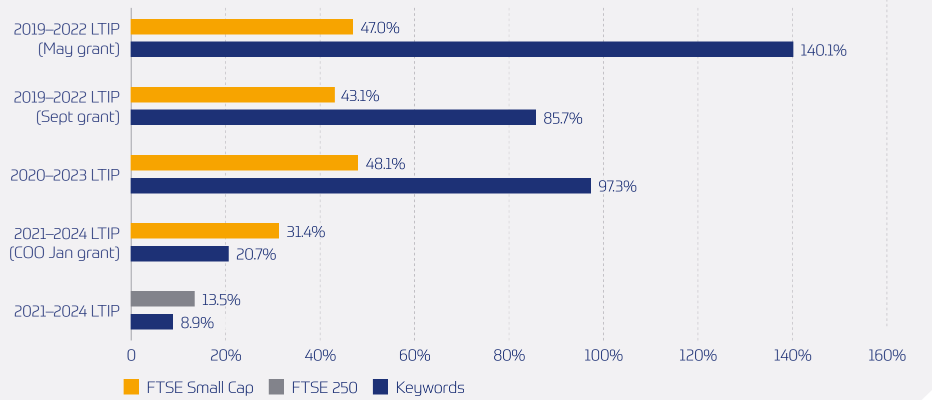
The number of performance-based LTIP shares granted to the Executive Directors in 2021 is summarised in the table below.

Director	Number of shares	Value as % of salary	Performance period	Vest date
Bertrand Bodson	61,156	275%	5 May 2021 – 4 May 2024	5 May 2024
Jon Hauck	25,000	260%	5 May 2021 – 4 May 2024	5 May 2024
Sonia Sedler[1]	35,000	302%	5 May 2021 – 4 May 2024	5 May 2024
	25,000	236%	29 Jan 2021 – 28 Jan 2024	29 Jan 2024
Andrew Day[2]	50,000	392%	5 May 2021 – 4 May 2024	5 May 2024

The 2021 awards granted in May were granted at a share price of £25.48; those granted to Sonia Sedler in January were granted at a share price of £27.48. Based on performance up to 31 December 2021, these awards would not vest (see chart below).

1. The treatment of the awards to Sonia Sedler as part of her exit arrangements is described opposite
2. Andrew Day was granted an award on 5 May 2021, prior to the announcement that he would bring forward his plan to retire on 14 June 2021

TSR performance up to 31 December 2021, in-flight LTIP awards



Andrew Day leaving arrangements

Andrew retired from the Board in June 2021. Andrew received base pay and benefits up to 31 March 2021 and was on unpaid leave up to his leaving date of 14 June 2021, at which time a payment of £162,500 in lieu of 6 months' notice was made. Andrew is not eligible for a bonus for 2021, but as a good leaver, and under the previous 2013 LTIP rules, his outstanding LTIP awards will continue and vest on the normal vest dates subject to performance over the normal period. The salary shares granted to Andrew in 2021 lapsed on his leaving.

Sonia Sedler leaving arrangements

Sonia left the company on 18 March 2022 due to personal reasons and was treated as a good leaver. Sonia received base pay and benefits up to 18 March and received her bonus in respect of 2021. Upon departure Sonia was awarded an ex-gratia payment of £183,536 plus payment in lieu of notice of £147,500. Sonia retains the 25,000 LTIP award made in respect of compensation foregone at her joining and this award will vest subject to performance conditions at the normal vesting date. The May award of 35,000 LTIP shares was pro-rated according to time served under our new good leaver provisions and Sonia retains 10,144 LTIP shares which will also vest subject to performance conditions at the normal vesting date in 2024. All salary shares lapsed.

Bertrand Bodson remuneration package on appointment

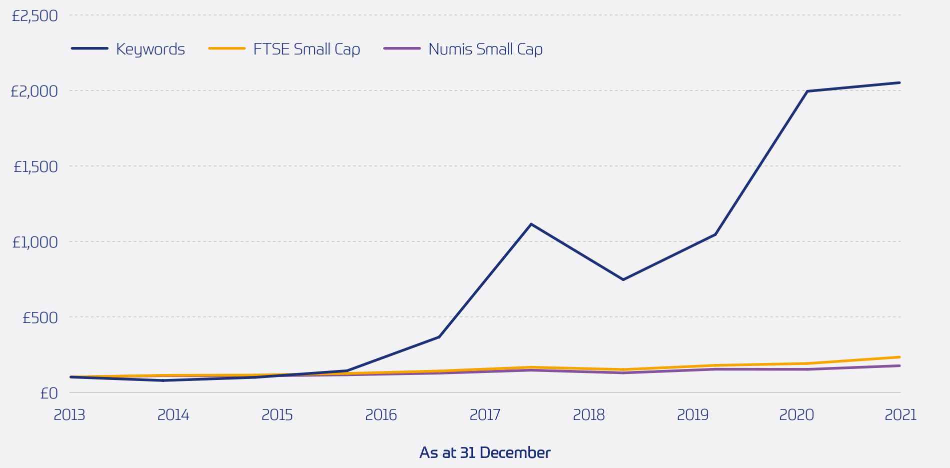
Bertrand was appointed as CEO on 1 December 2021 on a salary of £600,000. His annual bonus opportunity is in line with the other executives at 30% of salary, as are awards under the LTIP. Bertrand was granted an award under the LTIP in 2021 with a face value of 275% of salary, with vesting determined by TSR performance against the FTSE 250. Bertrand will receive a pension contribution of 5% of salary, in line with the other executives and the UK workforce. Bertrand also received a one-off conditional award of 100% of salary in restricted shares, granted on a like-for like basis for foregone awards from his previous position of employment, and vesting on continued employment after three years.

TSR performance

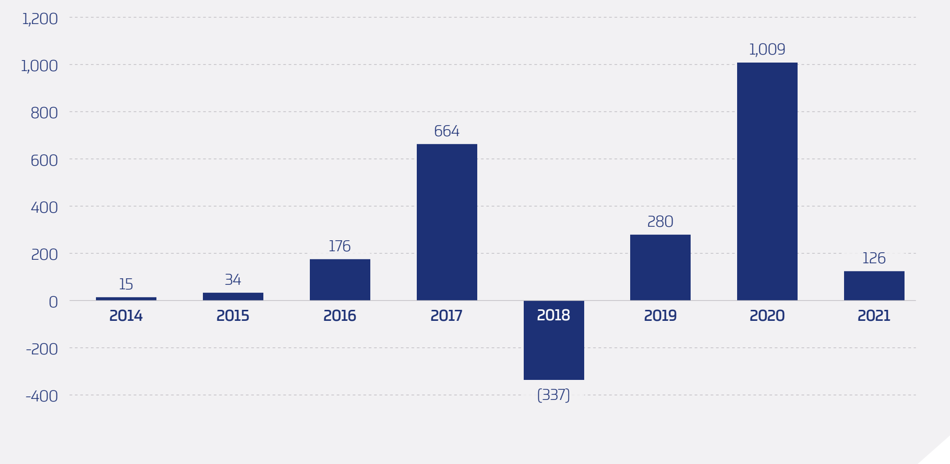
The chart opposite show (i) the Company's TSR since listing versus relevant indices, and (ii) the shareholder value created each financial year based on share price growth and dividends paid.

SECTION 2: IMPLEMENTATION OF THE REMUNERATION POLICY IN 2021 CONTINUED

Value of £100 invested in July 2013



Shareholder value created each year, £m



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	FY21
Single figure (£'000)[1]	52	146	213	449	397	820	1,198	1,012	1,532
Annual bonus outcome (% of max)	N/A	100%	100%	100%	100%	30%	0%	0%	100%[2]
LTIP vesting (% of max)	N/A	N/A	N/A	100%	N/A	100%	100%	100%	100%[3]
SOP vesting (% of max)	N/A	N/A	100%	100%	100%	N/A	N/A	N/A	N/A

1. The numbers in the table for FY13-FY20 are for Andrew Day; FY21 is based on a combination of Andrew Day, Bertrand Bodson, Jon Hauck and Sonia Sedler (see further explanation in CEO pay ratio section).
2. 100% bonus outcome reflects the bonus outcome for those individuals performing the role of CEO in FY21 (Andrew Day, who retired in FY21, was not paid a bonus).
3. Of those who performed the CEO role during FY21, only Andrew Day benefitted from an LTIP vesting in FY21.

Chief Executive Officer pay ratio

The table below provides disclosure of the ratio between the CEO's total remuneration and that of the lower quartile, median and upper quartile of our 679 (2020: 458) UK-based employees. The CEO pay data in 2021 includes all income paid to Andrew Day up to his retirement, the co-CEO cash salary and Salary Shares paid to the CFO and COO and any bonus earned for the cash element of this, and all income paid to Bertrand Bodson from 1 December excluding his one-off award of restricted shares paid as compensation for forfeited awards at a previous employer.

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

Year		P25 (lower quartile)	P50 (median)	P75 (upper quartile)	CEO
2021	Base Salary (£'000)	27	35	50	261
	Total remuneration (£'000)	30	40	57	1,532
2020	Base Salary (£'000)	27	35	50	228
	Total remuneration (£'000)	31	40	57	1,012

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 2021. 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 2021.

The CEO pay ratio increased from 25 in FY20 to 38 in FY21 primarily as a result of the significant increase in the vest-date value of the LTIP award vesting in the year to Andrew Day (£1.2m in FY21 compared to £777k in FY20) due to the strength of the share price growth over the vesting period of the LTIP awards granted in May 2018.

SECTION 2: IMPLEMENTATION OF THE REMUNERATION POLICY IN 2021 CONTINUED

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

Implementation of the remuneration policy in 2022

Base salary

With effect from 1 March 2022, base salary increases of 3.5% were awarded to the CFO and COO, such that their 2022 base salaries would both be £305,325 and this increase is in line with or below that of the UK workforce. Since the year end, Sonia Sedler has left the company on 18 March 2022. Bertrand Bodson's base salary will remain at £600,000, having joined on 1 December 2021.

Salary shares

The CFO will be granted an award of salary shares over £60,000, 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 (cash salary plus salary shares) are consistent with our targeted remuneration position. The award will vest in one-third annual tranches over three years and be subject to continued employment over this period.

The Committee's review of pay benchmarks for the Executive Directors, suggest the total salary (cash and salary shares) for each individual will be lower quartile vs FTSE 250 and broadly median vs market (based on a combination of UK technology peers, global gaming peers and the FTSE 250).

Pension

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

Annual bonus

The CEO and CFO will be eligible to earn an annual bonus of up to 30% of base salary in line with previous years. The outcome will be determined with reference to targets set at the start of 2022 around financial performance (weighted 60%) and non-financial performance (weighted 40%).

LTIP

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

The Committee reviewed the LTIP grant policy during 2021 and concluded that awards going forward would be granted on the basis of face value, rather than the fixed-number of shares approach used in previous years. The Committee took this decision after considering feedback from shareholders as well as desiring greater consistency with market practice. The proposed award levels, at 275% of base salary, take into account typical market practice for LTIP levels as well as Keywords low bonus opportunity (which, at 30% of base salary, is significantly below the lower quartile). All LTIP awards made under our new Policy and LTIP rules from 2022 will include higher shareholding requirements and one year post-cessation holding.

Non-Executive Directors' remuneration

Non-Executive Director fees are based on the roles and responsibilities of the Directors (see table below).The fees have been increased by 3.5% for the Non-Executive Directors with effect from 1 March 2022, in line with or below that of the UK workforce and to reflect the increased scale of the business and the consequent increased time requirement of the Directors.

Role	Fee
Board Chairman	£96,255
Senior Independent Director fee	£5,175
Non-Executive Director basic fee	£51,233
Additional fees:	
Chair of the Audit Committee	£12,420
Chair of the Remuneration Committee	£12,420
Chair of the ESG Committee	£12,420
Member of:	
Audit Committee	£3,105
Remuneration Committee	£3,105
ESG Committee	£3,105

Directors' interest in shares

The interests of each person who was a Director of the Company (together with interests held by his or her connected persons) at the end of each financial year (or the time the Director departed the Board, if relevant) were:

	At 31 December 2021	At 31 December 2020
Andrew Day[1]	3,296,573	3,296,573
Giorgio Guastalla[2]	500,736	3,150,662
Ross Graham	59,819	59,819
David Reeves	33,464	33,089
Jon Hauck	nil	nil
Sonia Sedler	nil	n/a
Bertrand Bodson	nil	n/a
Georges Fornay	6,521	6,521
Charlotta Ginman	1,733	1,733
Marion Sears[3]	1,000	n/a
Neil Thompson	2,496	n/a
	3,902,342	6,548,397

1. Andrew Day was no longer a Director of the Company at the end of the 2021 financial year.
2. Giorgio Guastalla's indirect shareholding arises out of his 90% holding in P.E.Q. Holdings Limited.
3. Since 31 December 2021, Marion Sears has acquired a further 1,000 shares.

SECTION 2: IMPLEMENTATION OF THE REMUNERATION POLICY IN 2021 CONTINUED

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

LTIP

	Number at 31 December 2020	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 2021	First vesting date	Current vesting expectation[1]
Bertrand Bodson	–	61,156	–	–	–	61,156	**5 May 2024**	0%
Andrew Day	35,000	–	–	–	–	35,000	**1 Jun 2018**	
	60,000	–	–	–	–	60,000	**10 May 2019**	
	52,000	–	-	–	–	52,000	**15 May 2020**	
	50,000	–	50,000	–	–	50,000	**18 May 2021**	
	50,000	–	–	–	–	50,000	**3 May 2022**	100%
	50,000	–	–	–	–	50,000	**1 May 2023**	100%
	–	50,000	–	–	–	50,000	**5 May 2024**	0%
Jon Hauck	25,000	–	–	–	–	25,000	**30 Sep 2022**	100%
	43,936	–	–	–	–	43,936	**30 Sep 2022**	100%
	25,000	–	–	–	–	25,000	**1 May 2023**	100%
	–	25,000	–	–	–	25,000	**5 May 2024**	0%
Sonia Sedler	–	25,000	–	–	–	25,000	**29 Jan 2024**	0%
	–	35,000[2]	–	–	–	35,000	**5 May 2024**	0%
Total	390,936	196,156	50,000	–	–	637,092		

1. Vesting expectation (% of award) is based on the achievement of the TSR performance condition up to 31 December 2021.
2. Sonia Sedler's award of 35,000 shares has been reduced as part of her departure arrangements and with effect from 18 March 2022, 10,144 LTIP shares remain under this award.

Andrew Day retired from the Board on 14 June 2021. The awards disclosed above remain outstanding.

Salary shares and restricted shares

	Number at 31 December 2020	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 2021	First vesting date for one-third tranche[1]	Current vesting expectation
Andrew Day	–	2,983	–	2,983	–	–		
Jon Hauck	–	1,630	–	–	–	1,630	**5 May 2022**	100%
	–	1,231	–	–	–	1,231	**16 Sep 2022**	100%
Sonia Sedler	–	407	–	–	–	407	**5 May 2022**	100%
	–	1,231	–	–	–	1,231	**16 Sep 2022**	100%
Bertrand Bodson[1]	–	22,239	–	–	–	22,239	**1 Dec 2024**	100%
Total	–	29,721	–	2,983	–	26,738		

1. All awards above vest in one-third annual tranches over three years, except those granted to Bertrand Bodson, which were granted as compensation for forfeited awards from his previous employment and which vest in full after three years subject to continued employment.

Andrew Day's salary shares lapsed on his leaving during 2021.

Sonia Sedler's salary shares lapsed on her leaving on 18 March 2022.

Share Option Scheme

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

Continued focus on succession planning, having consideration for diversity and the skills, knowledge and experience of the Board as a whole

ROSS GRAHAM
CHAIR 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 annual 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

Following Board changes made in the year, our Board composition is 25% female Directors. The Company is committed to improving gender diversity at Keywords and in the industry. Information about gender diversity across the Group can be read on pages 34, 35 and 41.

The Committee reviews the Board Diversity Policy regularly and during the year it approved several enhancements. The policy acknowledges that an effective Board will include and make good use of differences in the skills, regional and industry experience, background, ethnicity, 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 and the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

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 2021, the Committee met twice. The Committee has formal terms of reference which can be viewed on the Company's website, www.keywordsstudios.com.

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. Consideration was given to the appropriate mix of industry, financial and geographical knowledge and experience on the Board and Committees. The biographies of our Directors can be read on pages 59 and 60.

Andrew Day brought forward his retirement plan for health reasons and left the Company in June 2021. Following that, Jon Hauck (CFO) and Sonia Sedler (appointed as an Executive Director and COO in January 2021) acted as Joint Interim CEOs and continued to drive the Group's strategic development, acquisition strategy and operational performance until the appointment of Bertrand Bodson as CEO in December 2021. Neil Thompson and Marion Sears were both appointed as Non-Executive Directors in August 2021, adding considerable technology, industry and corporate experience and stakeholder understanding. In March 2022, Sonia Sedler stepped down as a Director and left the Company due to personal circumstances. Giorgio Guastalla resigned as a Director on 26 January 2022.

The Committee also recognises that by May and July 2022 respectively, David Reeves and Ross Graham will each have completed nine years tenure. An active process is in hand to find a successor for the Chair role, led by Charlotta Ginman and the Committee believes it is appropriate for Ross Graham to remain in his role for a further year to ensure the smooth operation of the Board and to provide robust support for Bertrand Bodson during his first year as CEO. David Reeves will not seek re-election at the 2022 AGM and Charlotta Ginman will succeed David as Senior Independent Director.

The Committee believes that, as a result of the changes in the year, the Board has a good balance of qualities and capabilities required to promote the long term success of the Company.

Details of the independent evaluation of the Board's and Committees' performance can be read on page 64.

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 executive team and the business of the Group as a whole.

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 teams throughout the organisation, and are 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. During the year, the Board sponsored a new programme to develop the leadership skills of the Senior Management Team.

Induction and development

All new Directors receive a comprehensive induction programme upon joining the Board, tailored to the specific needs of the individual. This includes meetings with key senior management personnel and key external stakeholders, to obtain a deep understanding of Keywords' operations and environment. The Company's Nominated Adviser (Nomad), Numis Securities Ltd, provides the initial corporate governance training as part of a new Director's on-boarding. Non-Executive Directors are encouraged to be involved in specific workshops or meetings, in line with their individual areas of expertise. Further training and development needs are assessed on a periodic basis and as part of Board and Committee evaluations.

Information on some of the Bertrand's activities during his first 100-days with Keywords can be read on page 12.

Role of the Company Secretary

The Directors had access to the Company Secretary for advice on corporate governance matters. Since the year end, we have appointed Andrew Kennedy, our General Counsel, as Company Secretary.

2022 plan

The Committee has two meetings scheduled for 2022. Attention will continue to be focused on the Senior Management Team in addition to succession planning for the Chair role.

Ross Graham

ROSS GRAHAM
CHAIR OF THE NOMINATION COMMITTEE

30 March 2022

As Chair of the ESG Committee, I'm very pleased to present our first ESG Committee Report

GEORGES FORNAY
CHAIR OF THE ESG COMMITTEE

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

Established in 2021, this was the first year of activity for the ESG Committee but we're already proud of the progress we've made. The following examples, described in more detail in our Responsible business report on pages 37 to 49, illustrate our progress in the year:

- People – we conduct an annual Global Employee Engagement Survey and our eNPS score improved from 22 in 2020 to 42 in 2021, showing a strong improvement in almost all our studio locations. The survey had a 69% response rate
- Planet – rollout of the Group's first Environmental Policy
- Gender diversity – this remains a major challenge across the gaming industry, particularly the lack of female senior managers and engineers, and we have plans to improve this – our partnership with Women in Games demonstrates our commitment to making this a business priority
- MSCI ESG Rating improved to A from BBB

Let me thank the members of the Committee, the management team and over 10,000 Keywordians across the world for their support and continued efforts in driving our ESG programmes forward.

Roles and responsibilities

The role of the ESG Committee is to implement and monitor initiatives across the Group which aim to improve the Group's impact on its people, communities and the planet. The remit of the ESG Committee is to oversee the following areas which have been identified as environmental, social, and governance priorities for our business and key stakeholders: people, planet, client, community and governance.

The ESG Committee is supported by an executive subcommittee, the Responsible Business Committee, which itself is supported by regional responsible business committees and the DE&I Committee.

Activities during the year

Four meetings were held during the year. The Committee received presentations on the investor context and existing initiatives across the Group (including Women in Games) and agreed the strategy, framework and priorities for the ESG programme. Various Group policies have been reviewed and updated to support initiatives to be rolled out in 2022.

Given the importance of people to Keywords, immediate focus was given to social areas of the ESG programme. A comprehensive global employee survey was conducted to measure our employee net promoter score (eNPS), with a response rate of 69%, and the results were discussed in full by the Committee. Several action plans have been developed to address key themes arising from this survey, including Group communications, wellness and professional development programmes.

Details of our initiatives can be found in the Responsible business report on pages 37 to 49.

Framework

The table below sets out the framework for our ESG programme, including our five pillars, key initiatives and metrics.

People		Planet	Client	Community	Governance
Promote a positive workplace environment and be a leader in attracting a diverse, equal, and inclusive workforce		Reduce our impact through Sustainable Studios	Improve client experience through technology and innovation	Encourage team outreach and support in local communities	Operate to the highest standards of honesty, integrity, and ethical conduct
People – Mental health and well-being programme – Training and development – Hardship fund – Employee Recognition (e-cards)	DE&I – Global DE&I Council – Women in Games – Female empowerment programme – Affinity groups	– Sustainable studios – Environmental policy	– Data security – Strategic partnerships	– Keywords Cares matching programme – Outreach activities – Scholarships – Local volunteering	– Code of Conduct awareness – Policy training – Whistleblowing awareness
– Staff surveys (annual and pulse) – Glassdoor monitoring	– Board diversity – Group diversity	– GHG recording	– Customer satisfaction scores – Number of clients with three or more services	– Keywords Cares programme monitoring	– Compliance reports – Whistleblowing reports

2022 plan

The Committee has five meetings scheduled for 2022. Attention will be focused on enhancing initiatives across our five priority areas and establishing the targets and key performance indicators to monitor and report on our progress. This will include work on a three-year plus plan (current year plus 2023–2025).

GEORGES FORNAY
CHAIR OF THE ESG COMMITTEE

30 March 2022

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 2021.

Dividends

The results for the year are set out in the Financial Statements section of this report. As described in the Financial and operating overview section, the Board is proposing a final dividend of 1.45 pence per share (2020: nil), bringing the total dividend for 2021 to 2.15 pence per share (2020: nil).

Directors and changes to the Board

The Directors of the Company during the year were Ross Graham, Bertrand Bodson (appointed on 1 December 2021), Andrew Day (retired on 14 June 2021), David Reeves, Giorgio Guastalla (resigned on 26 January 2022), Georges Fornay, Charlotta Ginman, Marion Sears (appointed on 13 August 2021), Neil Thompson (appointed on 13 August 2021), Jon Hauck and Sonia Sedler (appointed on 18 January 2021 and stepped down as a Director on 18 March 2022). Details of current members of the Board are set out on pages 59 and 60.

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 69 to 81. 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' indemnity provisions

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

Going concern

The Directors have performed an assessment, including a review of the Group's business activities, performance, position, principal risks and uncertainties (as set out in the Strategic report on pages 1 to 58), as well as the Group's budget for the 2022 financial year and its longer term plans. After making enquiries, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the consolidated and Company financial statements. In doing so, the Directors have considered the uncertain nature of the Ukrainian crisis and the COVID-19 pandemic, but have noted:

– The net cash position of the Group
– The strong cash flow performance of the Group through the year
– The continued demand for the Group's services
– The ability to operate most of its services in a work from home model where studios are temporarily closed
– The historical resilience of the broader video games industry in times of economic downturn
– 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 €105.6m and committed undrawn facilities under the Revolving Credit Facility (RCF) of €150m as at 31 December 2021.

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 and a worst case scenario of withdrawing from the Group's operations in Russia. 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 full year financial statements and therefore the going concern basis of preparation continues to be appropriate.

Financial risk management

The Group's approach to capital management is shown in note 25 of the financial statements. The Group's exposure and approach to liquidity, credit, interest rate and foreign currency risk is shown in note 24 of the financial statements. Our approach to risk management generally and our principal risks can be found in the Strategic report on pages 57 and 58.

Political donations

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

Share capital structure

At 31 December 2021, the Company's issued share capital was 76,275,775 ordinary shares of one pence each. Further details of the Company's issued share capital are given in note 22 to the Consolidated Financial Statements on pages 115 to 117. The Company's ordinary shares rank pari passu in all respects with each other, including for voting purposes and for all dividends and each share carries the right to one vote at general meetings of the Company.

Significant shareholdings

At 28 February 2022, the Company was aware of the following shareholdings of 3% or more of its issued share capital on that date:

Name	Shares	%
Capital Group	6,362,547	8.33
Franklin Templeton	6,241,117	8.17
Liontrust Asset Management	3,943,686	5.17
Octopus Investments	3,849,284	5.04
Andrew Day	2,946,573	3.86
T Rowe Price Global Investments	2,665,401	3.49
Aberdeen Standard Investments	2,662,367	3.49
Comgest	2,298,232	3.01

Subsidiary undertakings

A list of the Group's subsidiary undertakings and non-UK branches is provided in the note 28 of the financial statements on pages 123 and 124.

Significant events and 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 pages 10 to 14, the service line review on pages 25 to 33 and the Financial and operating overview on page 53 to 56. Future developments are described in the Strategy section of the Strategic report on page 20.

Change of control

Information on agreements between the Company and its Directors providing for compensation for loss of office of employment (including details of change of control provisions in share schemes) is set out on page 75. Otherwise, there are no agreements between the Company and its employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Disclosures concerning emissions

The disclosures relating to emissions are set out in the Responsible business report on page 46.

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 9,493 during 2021. 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 34 to 36, the Responsible business report on pages 37 to 41 and the Section 172(1) statement on pages 51 and 52. Approximately 9% of the workforce participate in employee share schemes operated by the Company (see page 74). We continue to review options to expand participation in employee share schemes to improve incentives and align them with the long term success of the Group.

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 37 to 49.

Disclosure of information to auditor

As far as the Directors are aware, there is no relevant audit information (that is, information needed by the Group's Auditor in connection with preparing their Report) of which the Group's Auditor is unaware, and each Director has taken all reasonable steps that they ought to have taken as a Director in order to make themself aware of any relevant audit information and to establish that the Group's Auditor is aware of that information.

By order of the Board

JON HAUCK
CHIEF FINANCIAL OFFICER

30 March 2022

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 withUK adopted 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 59 and 60, 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 they ought to have taken as a Director in order to make themself 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

30 March 2022

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 2021 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 is applicable law and United Kingdom adopted international accounting standards, and as regards the Parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRCs Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

Our evaluation of the Directors assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting in the preparation of the financial statements included;

- We considered as part of our risk assessment the nature of the company, its business model and related risks 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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

An overview of the scope of our audit

The Group has diverse international operations. Our audit was scoped by obtaining an understanding of the Group and its environment, including the group wide controls, and assessing the risks of material misstatement identified at group level. We also assessed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Significant components

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

Specified audit procedures

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

The above full scope and specified audit procedure entities represent 70% of group revenues.

Desktop review procedures have been performed on the remaining non-significant components in the group.

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

In the current year, as a result of the ongoing Covid 19 restrictions, the Senior Statutory auditor or senior members of the Group audit team have completed their oversight and review work of other locations remotely.

Parent Company and consolidation

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

Key audit matters

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

1 Business Combinations

Key Audit Matter

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

Following the purchase price allocations (in which identifiable assets and liabilities assumed were recognised at fair value), €325m (2020: €212m) 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 management's forecasting,
- We have challenged the key assumptions such as the growth factors and discount rates by comparing them to relevant market rates and historic acquisitions to evaluate whether management had been consistent in its approach to valuations, and
- We assessed the adequacy of the acquisition disclosures in the Group's financial statements.

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

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

2 Valuation of goodwill and intangible assets

Key Audit Matter

As a result of both the current year and prior year acquisitions, the group has amassed significant intangible assets and goodwill balances. These balances are material to the financial statements, with goodwill carrying value of €325m (2020: €212m), and intangibles carrying value of €29m (2020: €28.8m). 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 Director's assessment of the carrying value of goodwill and intangible assets. We have challenged the Directors assumptions in relation to CGU identification, cash flow forecasting, discount rates applied, and future growth rates.

Our procedures included;

- We have evaluated that the CGU 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.

3 Revenue Recognition – cut off

Key Audit Matter

Although the majority of the Group's revenue contracts are non complex in nature, there is a material accrued revenue balance as at 31 December 2021 of €10m (2020: €9.2m). 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.

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 €4.4m, which represents 5% of adjusted profit before tax, 9% of profit before taxation, and represents less than 1% of equity. We consider profit before income tax, and adjusted profit before tax, to be the most significant determinant of the group's financial performance used by shareholders and other users and therefore consider this as an appropriate basis for materiality. Our materiality is higher than the level we set for the year ended 31 December 2020 (€3m), due to the increased profits of the group.

We assessed the parent company's materiality using a % of net assets as the most appropriate benchmark as the parent company is an investment holding Company. However we capped this same level as the group materiality.

Whilst materiality for the financial statements as a whole was €4.4m, each component of the group was audited to a lower level of materiality within a range from €3.1m to €2.6m. 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 €220,000 (2020: €150,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 88 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Company. We determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (United Kingdom adopted International Accounting Standards and the Companies Act 2006).
- We understood how the Group and Company are complying with those legal and regulatory frameworks by making enquiries to management and those responsible for legal and compliance procedures and the Company secretary. We corroborated our enquiries through our review of board minutes.
- We assessed the susceptibility of the Group and Company's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it is considered there was a susceptibility of fraud. We considered the programs and controls that the Group and Company have established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free of fraud or error.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-for. This description forms part of our auditor's report.

Use of our report

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

STEPHEN MCCALLION (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF BDO, STATUTORY AUDITOR
DUBLIN 2, IRELAND

30 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Years ended 31 December 2021 €'000	2020 €'000
Revenue from contracts with customers	4	512,200	373,538
Cost of sales	5	(312,086)	(231,766)
Gross profit		200,114	141,772
Investment income	5	–	1,437
Share-based payments expense	23	(16,394)	(15,350)
Costs of acquisition and integration	5	(7,972)	(2,650)
Amortisation and impairment of intangible assets	11	(13,688)	(8,808)
COVID-19 government subsidies claimed		–	9,231
Total of items excluded from adjusted profit measures		(38,054)	(17,577)
Other administration expenses		(111,695)	(84,513)
Administrative expenses		(149,749)	(102,090)
Operating profit		50,365	41,119
Financing income	6	2,045	76
Financing cost	6	(4,427)	(8,701)
Profit before taxation		47,983	32,494
Taxation	7	(13,875)	(11,027)
Profit after taxation		34,108	21,467
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain/(loss) on defined benefit plans	20	27	(421)
Items that may be reclassified subsequently to profit or loss			
Exchange gain/(loss) in net investment in foreign operations		8,228	(4,909)
Exchange gain/(loss) on translation of foreign operations		14,581	(10,843)
Total comprehensive income/(expense)		56,944	5,294
Profit/(loss) for the period attributable to:			
Owners of the parent		34,175	21,552
Non-controlling interest		(67)	(85)
		34,108	21,467
Total comprehensive income/(expense) attributable to:			
Owners of the parent		57,011	5,379
Non-controlling interest		(67)	(85)
		56,944	5,294

Earnings per share		Years ended 31 December 2021 € cent	2020 € cent
Basic earnings per ordinary share	8	45.16	30.32
Diluted earnings per ordinary share	8	42.98	28.71

The notes from pages 98 to 125 form an integral part of these consolidated financial statements.

On behalf of the Board

BERTRAND BODSON
DIRECTOR

JON HAUCK
DIRECTOR

30 March 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 31 December 2021 €'000	At 31 December 2020 €'000
Non-current assets			
Intangible assets	11	353,943	240,810
Right of use assets	12	35,991	27,807
Property, plant and equipment	13	36,018	26,419
Deferred tax assets	21	21,468	14,649
Investments	14	175	–
		447,595	309,685
Current assets			
Cash and cash equivalents		105,710	103,070
Trade receivables	15	68,067	47,832
Other receivables	16	49,110	38,665
Corporation tax recoverable		6,764	–
		229,651	189,567
Current liabilities			
Trade payables		11,122	8,170
Other payables	17	108,423	62,958
Loans and borrowings	18	81	73
Corporation tax liabilities		12,635	12,568
Lease liabilities	19	11,217	7,361
		143,478	91,130
Net current assets/(liabilities)		86,173	98,437
Non-current liabilities			
Other payables	17	18,254	1,994
Employee defined benefit plans	20	3,088	2,693
Loans and borrowings	18	48	122
Deferred tax liabilities	21	13,840	10,575
Lease liabilities	19	26,418	21,503
		61,648	36,887
Net assets		472,120	371,235

	Note	At 31 December 2021 €'000	At 31 December 2020 €'000
Equity			
Share capital	22	904	879
Share capital – to be issued	22	2,185	13,047
Share premium	22	38,549	22,951
Merger reserve	22	273,677	250,276
Foreign exchange reserve		12,821	(9,988)
Shares held in Employee Benefit Trust ("EBT")	22	(1,997)	(1,997)
Share-based payment reserve		48,193	31,799
Retained earnings		97,905	64,318
		472,237	371,285
Non-controlling interest		(117)	(50)
Total equity		472,120	371,235

The notes from pages 98 to 125 form an integral part of these consolidated financial statements. The financial statements were approved and authorised for issue by the Board on 30 March 2022.

On behalf of the Board

BERTRAND BODSON
DIRECTOR

JON HAUCK
DIRECTOR

30 March 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital €'000	Share capital– to be issued €'000	Share premium €'000	Merger reserve €'000	Foreign exchange reserve €'000	Shares held in EBT €'000	Share-based payments reserve €'000	Retained earnings €'000	Total attributable to owners of parent €'000	Non-controlling interest €'000	Total equity €'000
At 01 January 2020	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-based payments 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
Profit/(loss) for the period	–	–	–	–	–	–	–	34,175	34,175	(67)	34,108
Other comprehensive income	–	–	–	–	22,809	–	–	27	22,836	–	22,836
Total comprehensive income for the period	–	–	–	–	22,809	–	–	34,202	57,011	(67)	56,944
Contributions by and contributions to the owners:											
Share-based payments expense	–	–	–	–	–	–	16,394	–	16,394	–	16,394
Share options exercised	11	–	4,929	–	–	–	–	–	4,940	–	4,940
Employee Share Purchase Plan	–	–	398	–	–	–	–	–	398	–	398
Dividends	–	–	–	–	–	–	–	(615)	(615)	–	(615)
Acquisition-related issuance of shares	14	(10,862)	10,271	23,401	–	–	–	–	22,824	–	22,824
Contributions by and contributions to the owners	25	(10,862)	15,598	23,401	–	–	16,394	(615)	43,941	–	43,941
At 31 December 2021	904	2,185	38,549	273,677	12,821	(1,997)	48,193	97,905	472,237	(117)	472,120

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Years ended 31 December 2021 €'000	2020 €'000
Cash flows from operating activities			
Profit after taxation		34,108	21,467
Income and expenses not affecting operating cash flows			
Depreciation – property, plant and equipment	13	11,661	8,983
Depreciation – right of use assets	12	10,473	8,402
Amortisation and impairment of intangible assets	11	13,688	8,808
Taxation	7	13,875	11,027
Share-based payments expense	23	16,394	15,350
Fair value adjustments to contingent consideration	5	5,567	(66)
Fair value adjustments to right of use assets	12	–	434
Unwinding of discounted liabilities – deferred consideration	6	1,882	132
Unwinding of discounted liabilities – lease liabilities	6	985	843
Interest receivable	6	(62)	(76)
Fair value adjustments to employee defined benefit plans	20	419	354
Interest expense	6	1,040	1,071
Unrealised foreign exchange (gain)/loss		583	1,874
		76,505	57,136
Changes in operating assets and liabilities			
Decrease/(increase) in trade receivables		(15,117)	(4,255)
Decrease/(increase) in MMTC and VGTR receivable		(4,502)	555
Decrease/(increase) in other receivables		3,341	(3,902)
(Decrease)/increase in accruals, trade and other payables		20,158	9,878
		3,880	2,276
Taxation paid		(23,948)	(4,459)
Net cash generated by/(used in) operating activities		90,545	76,420
Cash flows from investing activities			
Current year acquisition of subsidiaries net of cash acquired	27	(48,697)	(37,447)
Settlement of deferred liabilities on acquisitions	17	(14,393)	(2,489)
Acquisition of property, plant and equipment	13	(19,360)	(13,908)
Investment in intangible assets	11	(315)	(259)
Other investment		(175)	–
Interest received		62	76
Net cash generated by/(used in) investing activities		(82,878)	(54,027)

	Note	Years ended 31 December 2021 €'000	2020 €'000
Cash flows from financing activities			
Repayment of loans	18	(80)	(64,030)
Drawdown of loans	18	–	4,500
Payments of principal on lease liabilities		(9,953)	(8,170)
Interest paid on principal of lease liabilities	6	(985)	(843)
Dividends paid		(615)	–
Shares issued for cash	22	5,338	111,698
Interest paid		(1,753)	(879)
Net cash generated by/(used in) financing activities		(8,048)	42,276
Increase/(decrease) in cash and cash equivalents		(381)	64,669
Exchange gain/(loss) on cash and cash equivalents		3,021	(3,426)
Cash and cash equivalents at beginning of the period		103,070	41,827
Cash and cash equivalents at end of the period		105,710	103,070

1 Basis of Preparation

Keywords Studios plc (the "Company") is a company incorporated in the United Kingdom. The consolidated financial statements include the financial statements of the Company and its subsidiaries (the "Group") made up to 31 December 2021.

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

Unless otherwise stated, the financial statements have been prepared in thousands ('000) and the financial statements are presented in euro (€) which is the functional currency of the Group.

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 Ukrainian crisis and the COVID-19 pandemic, but have noted:

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

The Directors have also considered the Group's strong liquidity position with net cash of €105.6m as at 31 December 2021, and committed undrawn facilities of €150m under the Revolving Credit Facility ("RCF").

The Directors have applied downside sensitivities to the Group's cash flow projections to 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 and a worst case scenario of withdrawing from the Group's operations in Russia. 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 twelve months from the date of these financial statements and therefore the going concern basis of preparation continues to be appropriate.

New Standards, Interpretations and Amendments effective 01 January 2021

A number of new amendments and interpretations to accounting standards are effective from 01 January 2021, including:

- COVID-19-Related Rent Concessions – further amendment to IFRS 16;
- Interest Rate Benchmark Reform – further amendments to IFRS 9, IAS 39 and IFRS 7.

These amendments and interpretations have not resulted in any Group accounting policy changes, and have not had a material effect on the Group's financial statements.

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 01 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 these amendments or any other standards issued by the IASB, but not yet effective, to have a material impact on the Group.

2 Significant Accounting Policies

Basis of Consolidation

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

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

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

2 Significant Accounting Policies continued

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

Business Combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. The results of acquired operations are included in the consolidated financial statements from the date on which control is obtained. They are consolidated until the date on which control ceases. In the Consolidated statement of financial position, the acquired identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the valuation of the fair value of assets and liabilities acquired is still in progress. Those provisional amounts are adjusted when additional information is obtained about facts and circumstances which would have affected the amounts recognised as of that date, and any adjustments to the provisional values allocated to the consideration, identifiable assets or liabilities (and contingent liabilities, if relevant) are made within the measurement period, a period of no more than one year from the acquisition date.

Any contingent consideration payable is recognised at fair value at the acquisition date and is split between current liabilities and long-term liabilities depending on when it is due. The fair value of contingent consideration at acquisition date is arrived at through discounting the expected payment (based on scenario modelling) to present value. In general, in order for contingent consideration to become payable, pre-defined profit and/or revenue targets must be exceeded. At each balance sheet date, the fair value of the contingent consideration is revalued, with the expected pay-out determined separately in respect of each individual acquisition and any change recognised in the statement of comprehensive income.

For deferred consideration which is to be provided for by the issue of a fixed number of shares at a future defined date, where there is no obligation on Keywords to offer a variable number of shares, the deferred consideration is classified as an equity arrangement and the value of the shares is fixed at the date of the acquisition. Deferred consideration may also be in the form of cash consideration payable at a future defined date. Such consideration is recognised at fair value at the acquisition date and is split between current liabilities and non-current liabilities depending on when it is due.

Intangible Assets

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

Goodwill

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

Customer Relationships

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

Other Intangible Assets

Other intangible assets include Intellectual Property and Music Licences, both acquired and internally developed. Other intangible assets are recognised as assets where it is probable that the use of the asset will generate future economic benefits and where the costs of the asset can be determined reliably. Other intangible assets that are acquired by the Group are stated at cost less accumulated amortization (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 amortization methods are reviewed at the end of every accounting period.

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

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

2 Significant Accounting Policies continued

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 amortization 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.

Investments

Investments are held at cost where the Group does not have control and is not able to exercise significant influence over the investee.

Cash and Cash Equivalents

For the purpose of presentation in the Statements of financial position and 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 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.

2 Significant Accounting Policies continued

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

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

Revenue is derived from eight main service groupings:

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

2 Significant Accounting Policies continued

Multimedia Tax Credits/Video Game Tax Relief

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

Share-based Payments

The Company issues equity-settled share-based payments to certain employees and Directors under a share options plan and a Long-Term Incentive Plan ("LTIP"). In 2022, a number of Executive Directors also received conditional awards under the rules of the LTIP Plan ("Salary Shares").

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

Additional employer costs, including social security taxes, in respect of options and awards are expensed over the vesting period with a corresponding liability recognised. The liability recognised depends on the number of options that are expected to be exercised, and the liability is adjusted by reference to the fair value of the options at the end of each reporting period.

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

Employee Share Purchase Plan

In 2021, the Group introduced an Employee Share Purchase Plan ("ESPP"). The ESPP allows individual employees the possibility to save up to €500 monthly and acquire KWS shares discounted by 10% on the market price at the date of purchase. The plan has bi-annual purchase periods, with share-based benefits expensed within the period.

Share Option Plan

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

LTIP

The exercise of LTIP awards is subject to the Company's share price (stock symbol: KWS) performance versus the designated Share Index in terms of shareholder return over a three-year period. For the awards granted up to 2015, one-third of the share options vested if the Company exceeded the Total Shareholder Returns ("TSR") of the Numis Small Cap Index (excluding Investment Trusts) by 10%, two-thirds if the TSR exceeded the Index by 20% and full vesting if the TSR exceeded the Index by 30%. This was amended for the 2016 and 2017 awards to 100% vesting if the shareholder return exceeds the Index by 45%, and a 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 the Index by between 0% and 20%. In 2019, the benchmark Index was amended for future grants to be the FTSE Small Cap Index, with the same performance conditions as 2018. In 2021, the benchmark Index was amended to be the FTSE250 Index (excluding investment trusts) and threshold vesting (25% of the award) will be earned for TSR in line with the Index and full vesting will be earned for exceeding the Index TSR by 20% over the performance period. A pro-rated return will be earned between 25% and 100% if the TSR exceeds the Index by between 0% and 20%.

These are measured at fair value, taking into account market vesting conditions but not non-market vesting conditions, at the date of grant, measured by using the Monte Carlo binomial model.

Salary Shares

Salary shares are measured at fair value on the grant date. As the only vesting condition is continuous service, the fair value of the shares is amortised over the vesting period.

Dividend Distribution

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

Income Taxes and Deferred Taxation

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

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

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

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

2 Significant Accounting Policies continued

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.

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.

Property, Plant and Equipment

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

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

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

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

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

Financial Assets

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

Trade Receivables

Trade receivables, which principally represent amounts due from customers, are recognised at amortised cost as they meet the IFRS 9 classification test of being held to collect, and the cash flow characteristics represent solely payments of principal and interest. The Group's impairment methodology is in line with the requirements of IFRS 9. The simplified approach to providing for expected credit losses has been applied to trade receivables, which requires the use of a lifetime expected loss provision.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, deposits held on call with banks and other short-term highly liquid investments. Where cash is on deposit with maturity dates greater than three months, it is disclosed as short-term investments.

Accrued Income from Contracts with Customers

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

Share Capital

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

Financial Liabilities

Contingent consideration is initially recognised at fair value and subsequently re-measured through the profit and loss. Trade payables, bank borrowings and other monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Leased Assets

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

At lease commencement date, the Group recognises a right of use asset and a lease liability on the balance sheet. The right of use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right of use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The Group also assesses the right of use asset for impairment when such indicators exist. At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or at the Group's incremental borrowing rate.

2 Significant Accounting Policies continued

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from purchase and extension options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right of use asset, or profit and loss if the right of use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right of use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The Group has applied judgement to determine the lease term for contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the lease liabilities and right of use assets recognised.

Employee Benefit Trust

Ordinary shares purchased by the Employee Benefit Trust on behalf of the parent company under the Terms of the Share Option Plan are deducted from equity on the face of the Consolidated statement of financial position. No gain or loss is recognised in relation to the purchase, sale, issue or cancellation of the parent company's ordinary shares.

3 Critical Accounting Estimates and Judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Judgements

The judgements, apart from those involving estimations, that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements, are outlined below.

- **Group**
  - **Functional Currency**: The Directors have considered the requirements of IAS 21 in determining the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions to determine the 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 euro remains marginally the most dominant when all factors are considered. Therefore, the Directors consider the euro as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.
- **Business Combinations (Customer relationships)**: When acquiring a business, the Group is required to identify and recognise intangible assets, the determination of which requires a significant degree of judgement. Acquisitions may also result in intangible benefits being brought into the Group, some of which qualify for recognition as intangible assets while other such benefits do not meet the recognition requirements of IFRS and therefore form part of goodwill. Customer relationships are recognised as separate assets where revenues are recurring in nature and material revenues have been generated with the customer for a continuous period of three years. For the Game Development service line, the key asset acquired is typically "know-how", an asset that is not readily measurable and thus intrinsically linked to goodwill. Relationships are typically fixed term contract based rather than relationship based. Therefore, neither customer contracts nor customer relationships are typically recognised on the acquisition of a Game Development business.
- **IFRS 16 Leases**: The Group has determined that the Group's incremental borrowing rate is the appropriate rate to use to discount lease liabilities. The Group has applied judgement to determine the lease term for contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the lease liabilities and right of use assets recognised.
- **Business Combinations (Put and call options over Non-controlling interest)**: The Group acquired an 85% interest in Tantalus in March 2021, with the sellers retaining a minority shareholding. The shareholder agreement (signed with the purchase agreement) includes put and call options ("the Forward") that require the sellers to sell, or require the Group to buy, the remaining 15% shareholding in three years using a pre-determined valuation methodology linked to post-acquisition performance. IFRS 3 does not provide specific guidance on how such contracts should be accounted for in a business combination. The Board determined, taking into consideration all the contracts' terms and conditions, that the impact of the Forward put the Group in a similar position as if the Group had acquired a 100% interest in the subsidiary on the acquisition date, with deferred contingent consideration payable at a future date. In doing so, the Board considered whether the risks and rewards of ownership reside with the Non-controlling interest or had effectively transferred to the Group, and concluded that the Non-controlling interest arising on the acquisition had been extinguished by a combination of the Forward and other conditions in the agreements. Therefore, the Group has accounted for the acquisition as if a 100% interest was acquired on acquisition, accounting for the initial investment and the Forward as a single linked transaction in which 100% control is gained, with the Forward recognised at fair value, as a financial liability within Deferred and contingent consideration (note 17), and no Non-controlling interest recognised on the acquisition. Any subsequent re-measurement required due to changes in the fair value of the liability will be recognised in the Consolidated statement of comprehensive income.

3 Critical Accounting Estimates and Judgements continued

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	2021 €'000	2020 €'000
Art Creation*	49,326	38,903
Marketing*	46,183	18,421
Game Development	138,852	80,017
Audio	61,333	47,232
Functional Testing	92,686	78,479
Localization	50,791	45,357
Localization Testing	27,091	23,323
Player Support	45,938	41,806
	512,200	373,538

* The prior year comparatives have been re-classified to separately report Marketing services, previously reported within the Art Creation service line.

For many contracts, operations are completed across multiple sites. Analysis of revenues by geographical regions is presented by producing location, which may not reflect the jurisdiction from which the final invoice to the client is raised, or the region of the Group's customers, whose locations are worldwide.

Geographical analysis of revenues, by producing location *	2021 €'000	2020 €'000
Canada	97,748	88,713
United States	96,060	50,504
United Kingdom	94,426	58,645
Italy	32,448	25,210
Russia	29,424	27,987
Japan	21,898	20,944
Poland	21,397	12,121
China	20,350	18,429
India	18,640	11,369
Ireland	13,948	12,291
Philippines	13,461	12,021
Spain	10,331	7,642
France	8,436	7,771
Singapore	7,856	6,798
Australia	7,408	–
Other	18,369	13,093
	512,200	373,538

* The prior year comparatives have been re-classified from billing entity location to producing entity location to align to the current year presentation, as the Directors consider this measure to be more meaningful.

No single customer accounted for more than 10% of the Group's revenue in either year presented.

4 Revenue from Contracts with Customers and Segmental Analysis continued

Revenue Expected to be Recognised

For Game Development, games are developed to an agreed specification and time schedule, and often have delivery schedules and/or milestones that extend well into the future. The following are Game Development revenues expected to be recognised for contracts with a schedule of work that extends beyond one year, representing the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period:

Revenue expected to be recognised	Total undelivered €'000	Scheduled completion within 1 year €'000	Scheduled completion 1–2 years €'000	Scheduled completion 2–5 years €'000
At 31 December 2021	55,294	44,973	9,319	1,002
At 31 December 2020	13,538	12,991	547	–

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 reviews 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 *	2021 €'000	2020 €'000
United States	171,126	133,026
United Kingdom	114,871	58,414
Australia	45,528	–
Canada	31,096	27,882
Italy	15,612	13,928
Switzerland	10,025	10,117
France	7,548	7,302
China	8,296	7,492
Ireland	8,422	22,860
Germany	5,336	5,391
Spain	4,988	5,502
Japan	6,955	6,359
India	4,001	2,379
Romania	2,763	–
Poland	3,275	1,839
Mexico	2,452	1,958
Other	5,301	5,236
	447,595	309,685

* The prior year comparatives have been re-classified to align to the current year presentation, as the Directors consider this measure to be more meaningful.

5 Cost of Sales and Operating Profit

Cost of sales	2021 €'000	2020 €'000
Operating expenses	320,159	238,664
Multimedia tax credits/video game tax relief	(20,966)	(15,593)
Other direct costs	12,893	8,695
	312,086	231,766

Operating profit is stated after charging/(crediting):	2021 €'000	2020 €'000
Depreciation – property, plant and equipment	11,661	8,983
Depreciation – right of use assets	10,473	8,402
Amortisation of intangible assets	13,688	8,808
Costs of acquisition and integration	7,972	2,650
Auditor's remuneration	605	553
Short-term leases	1,531	1,747
Investment income	–	(1,437)

Costs of acquisition and integration	2021 €'000	2020 €'000
Acquisition and integrations costs re: current year acquisitions (note 27)	1,099	307
Acquisition and integrations costs re: prior acquisitions	191	743
Fair value adjustments to contingent consideration (note 17)	5,567	(66)
Deferred consideration related to continuing employment	454	649
Acquisition team and related costs	313	247
Fair value adjustments to right of use assets (note 12)	–	434
Other re-organisation and restructuring costs	348	336
	7,972	2,650

Auditor's remuneration	2021 €'000	2020 €'000
Audit services:		
Parent company and Group audit	314	290
Subsidiary companies audit	278	250
Non-audit services:		
Audit-related assurance services	13	13
	605	553

Investment income	2021 €'000	2020 €'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 2020, and will become entitled to receive further consideration of up to USD$450K over the period 2022 through 2025, subject to earnout targets being met.

6 Financing Income and Cost

	2021 €'000	2020 €'000
Financing income		
Interest received	62	76
Foreign exchange gain	1,983	–
	2,045	76
Financing cost		
Bank charges	(520)	(552)
Interest expense	(1,040)	(1,071)
Unwinding of discounted liabilities – lease liabilities	(985)	(843)
Unwinding of discounted liabilities – deferred consideration	(1,882)	(132)
Foreign exchange loss	–	(6,103)
	(4,427)	(8,701)
Net financing income/(cost)	(2,382)	(8,625)

7 Taxation

	2021 €'000	2020 €'000
Current income tax		
Income tax on profits of subsidiaries	17,632	13,899
Deferred tax (note 21)	(3,757)	(2,872)
	13,875	11,027

7 Taxation continued

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

	2021 €'000	2020 €'000
Profit before tax	47,983	32,494
Tax charge based on the Effective tax rate*	10,527	8,071
Income tax prior year (over)/under provision	(261)	(1,302)
Deferred tax prior year (over)/under provision and impact of change in tax rates	148	402
Items disallowed for tax purposes	3,430	3,846
Exempt and non-taxable income	(174)	258
Tax incentives	(951)	(892)
Current year tax losses utilised	(363)	(3)
Current year tax losses where deferred tax has not been provided	204	477
State and other direct taxes	658	548
Other differences – net	657	(378)
Total tax charge	13,875	11,027
* Effective tax rate – being the statutory tax rate relative to the profit before tax in each jurisdiction	21.9%	24.8%

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	2021 €'000	2020 €'000
Exchange gain/(loss) in net investments foreign operations	8,228	(4,909)
Tax (expense)/benefit	(1,029)	614
Net of tax amount	7,199	(4,295)
Actuarial gain/(loss) on defined benefit plans	27	(421)
Tax (expense)/benefit	–	–
Net of tax amount	27	(421)
Exchange gain/(loss) on translation of foreign operations	14,581	(10,843)
Tax (expense)/benefit	–	–
Net of tax amount	14,581	(10,843)

8 Earnings per Share

	2021 € cent	2020 € cent
Basic	45.16	30.32
Diluted	42.98	28.71

Earnings	€'000	€'000
Profit for the period from continuing operations	34,108	21,467

Weighted average number of equity shares	Number	Number
Basic (i)	75,526,296	70,800,455
Diluting impact of share options (ii)	3,826,990	3,959,878
Diluted (i)	79,353,286	74,760,333

(i) Includes (weighted average) shares to be issued:

	Number	Number
	219,146	242,077

(ii) Contingently issuable ordinary shares have been excluded where the conditions governing exercisability have not been satisfied:

	Number	Number
LTIPs	903,656	–
Share options	–	–
	903,656	–

Details of the number of share options outstanding at the year-end are set out in note 23.

9 Dividends

Dividends paid	In respect of	Approval date	€ cent per share	Pence STG per share	Total dividend €'000	Payment date
Interim	2021	Sep-21	0.81	0.70	615	Oct-21
Dividends paid to shareholders 2021			0.81	0.70	615	

Recommended	In respect of	Approval date	Expected € cent per share	Pence STG per share	Expected total dividend €'000	Expected payment date
Final	2021	Mar-22	1.72	1.45	1,299	Jul-22

9 Dividends continued

At 31 December 2021, Retained earnings available for distribution (being Retained earnings plus Share-based payments reserve) in the Company were €47.7m (2020: €25.5m). In addition, certain amounts within Merger reserve are considered distributable (see note 22).

In light of COVID-19, the Directors did not recommend any dividend payments for 2020. Dividend payments were resumed in 2021, and the Directors do not foresee any impediment in continuing to implement the dividend policy of the Group moving forward.

The Group does not recognise deferred tax on unremitted retained earnings, as, in general, retained earnings (as dividends) are only remitted where there are minimal or no tax consequences.

10 Staff Costs

Total staff costs (including Directors)	2021 €'000	2020 €'000
Salaries and related costs	263,036	198,064
Social welfare costs	30,455	21,623
Pension costs	6,685	5,212
Share-based payments expense	16,394	15,350
	316,570	240,249

Average number of employees	2021	2020
Operations	8,821	7,768
General and administration	672	585
	9,493	8,353

Key management compensation	2021 €'000	2020 €'000
Salaries and related costs	1,569	1,188
Social welfare costs	201	366
Pension costs	25	45
Share-based payments expense	698	1,604
	2,493	3,203

The key management compensation comprises compensation to eleven Directors of Keywords Studios plc during the year (2020: seven). For more information, please refer to the Director's remuneration report on page 69.

11 Intangible Assets

	Goodwill €'000	Customer relationships €'000	Intellectual property/ Development costs €'000	Total* €'000
Cost				
At 01 January 2020	175,639	37,620	3,527	216,786
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	268,386
Recognition on acquisition of subsidiaries	97,918	11,502	–	109,420
Additions	–	–	315	315
Exchange rate movement	14,955	4,400	–	19,355
At 31 December 2021	325,037	68,325	4,114	397,476
Accumulated amortisation				
At 01 January 2020	–	20,018	–	20,018
Amortisation charge	–	6,421	327	6,748
Impairment charge	147	–	1,913	2,060
Exchange rate movement	–	(1,261)	11	(1,250)
At 31 December 2020	147	25,178	2,251	27,576
Amortisation charge	–	13,261	427	13,688
Exchange rate movement	–	2,269	–	2,269
At 31 December 2021	147	40,708	2,678	43,533
Net book value				
At 01 January 2021	212,017	27,245	1,548	240,810
At 31 December 2021	324,890	27,617	1,436	353,943

* Please note: fully depreciated Music licences have been removed from the prior year comparatives.

Customer relationships and intellectual property/development costs are amortised on a straight-line basis over five years. Customer relationships amortisation commences on acquisition, whereas intellectual property/development costs amortisation commences when the product is launched.

11 Intangible Assets continued

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% (2020: 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 has excluded the impact of short-term market volatility on these calculations in determining the Group WACC.

Key assumptions

	Actual		Sensitivity analysis			
	2021	2020	2021	2020	2021	2020
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)	792	532	947	636	673	452
Carrying value – goodwill (€m)	325	212				

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

In the prior year, due to the uncertainty caused by COVID-19, an impairment charge of €2,060k was recognised, 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.

	2021 €'000	2020 €'000
Cost		
At 01 January	44,092	29,384
Additions	15,392	15,035
Recognition on acquisition of subsidiaries	1,402	2,376
Exchange rate movement	2,954	(2,703)
At 31 December	63,840	44,092
Accumulated depreciation		
At 01 January	16,285	7,915
Depreciation charge	10,473	8,402
Impairment charge	–	434
Exchange rate movement	1,091	(466)
At 31 December	27,849	16,285
Net book value		
At 01 January	27,807	21,469
At 31 December	35,991	27,807

13 Property, Plant and Equipment

	Computers and software €'000	Office furniture and equipment €'000	Leasehold improvements €'000	Total €'000
Cost				
At 01 January 2020	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
Exchange rate movement	2,877	783	1,289	4,949
Additions	13,492	1,444	4,424	19,360
Acquisitions through business combinations at fair value	304	266	2	572
Disposals	(2,830)	(185)	(5,699)	(8,714)
At 31 December 2021	43,049	9,214	14,928	67,191
Accumulated depreciation				
At 01 January 2020	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
Exchange rate movement	2,342	603	676	3,621
Depreciation charge	8,170	590	2,901	11,661
Disposals	(2,830)	(185)	(5,699)	(8,714)
At 31 December 2021	24,568	4,310	2,295	31,173
Net book value				
At 01 January 2021	12,320	3,604	10,495	26,419
At 31 December 2021	18,481	4,904	12,633	36,018

14 Investments

	2021 €'000	2020 €'000
Investments	175	–

The Group (via Keywords Ventures Limited) has made modest investments in businesses developing innovative technologies and services that will benefit its clients, while further accelerating the success of investee companies through access to its global platform and relationships.

15 Trade Receivables

	2021 €'000	2020 €'000
Trade receivables	69,835	49,814
Provision for bad debts (note 24)	(1,768)	(1,982)
Financial asset held at amortised cost	68,067	47,832

Trade receivables arise from revenues derived from contracts with customers.

16 Other Receivables

Current	2021 €'000	2020 €'000
Accrued income from contracts with customers	9,997	9,202
Prepayments	7,114	4,608
Rent deposits and other receivables	4,203	4,816
Multimedia tax credits/video games tax relief	22,860	16,668
Tax and social security	4,936	3,371
	49,110	38,665

Accrued income from contracts with customers represent mainly contract assets in process and related items. The movement in the year comprises 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.

17 Other Payables

	2021 €'000	2020 €'000
Current liabilities		
Accrued expenses	53,526	31,086
Payroll taxes	2,666	2,563
Deferred and contingent consideration (i)	35,888	18,808
Other payables (ii)	16,343	10,501
	108,423	62,958
Non-current liabilities		
Deferred and contingent consideration (i)	18,254	1,994
	18,254	1,994

17 Other Payables continued

(i) The movement in deferred and contingent consideration during the financial year was as follows:

	2021 €'000	2020 €'000
Carrying amount at the beginning of the year	20,802	6,035
Consideration settled by cash	(14,393)	(2,489)
Consideration settled by shares	(2,838)	(3,321)
Unwinding of discount (note 6)	1,882	132
Additional liabilities from current year acquisitions (note 27)	40,059	21,131
Adjustment arising from prior year business combinations	5,567	–
Fair value adjustments	–	(66)
Exchange rate movement	3,063	(620)
Carrying amount at the end of the year	54,142	20,802

In general, in order for contingent consideration to become payable, pre-defined profit and/or revenue targets must be exceeded. The valuation of contingent consideration is derived using data from sources that are not widely available to the public and involves a degree of judgement (Level 3 input in the fair value hierarchy). A 10% increase in expected performance would increase the carrying value of contingent consideration by €1.7m, while a 10% reduction in expected performance would decrease the carrying value by €6.3m. On an undiscounted basis, the Group may be liable for deferred and contingent consideration ranging from €0.2m to a maximum of €61.2m.

(ii) Other payables includes deferred income from contracts with customers of €3,470k (2020: €2,967k), which mainly comprise items invoiced prior to services being delivered. The movement in the year comprises transfers in and out as items are deferred and subsequently recognised as revenue.

18 Loans and Borrowings

Maturity analysis of Loans and borrowings	2021 €'000	2020 €'000
Current		
Expiry within 1 year	–	–
Non-current		
Expiry between 1 and 2 years	–	–
Expiry over 2 years	129	195
	129	195
	129	195
Currency denomination		
Euro	–	–
Canadian dollars	129	195
	129	195

In December 2021 the Company put a new unsecured revolving credit facility ("RCF") in place with a syndicate of four lenders, which replaced its previous €100m secured revolving credit facility. The new RCF is a committed facility that allows financing of up to €150m, which may be drawn down in euro, sterling, US dollars or Canadian dollars, with an option (subject to lender consent), to increase the facility by up to €50m to a total of €200m, at interest rates based on a margin over currency benchmark rates, plus a separate margin charged for the unutilised facility. The new RCF extends to December 2024, with an option to extend the term by two further one-year periods.

Under the previous RCF, security was granted over the major subsidiaries of the Group. As part of putting the new unsecured RCF in place, all security arrangements relating to the previous revolving credit facility have now been released.

In connection with the financial covenants of both the new and previous RCF, the Group are required to comply with and report certain interest cover and leverage ratios. Non-compliance with RCF terms could result in lenders refusing to advance funds under the facility or, in the worst case, calling in outstanding loans. Throughout the period, the Group operated well within the applicable ratio terms of both the new and previous RCF agreements.

While technically any borrowings are repaid and re-borrowed multiple times during the term of the RCF, so long as the Group remains compliant with the financial covenants and certain other terms of the RCF, any debt is rolled from one period to another, with the legal and commercial substance of a multi-year committed facility. Hence the Group presents any RCF liabilities as non-current.

The movements in Loans and borrowings are as follows:

	Current €'000	Non-current €'000	Total €'000
At 01 January 2020	80	59,671	59,751
Cash flows:			
Drawdowns	–	4,500	4,500
Repayments	–	(64,030)	(64,030)
Non-cash flows:			
Exchange rate movement	(7)	(19)	(26)
At 31 December 2020	73	122	195
Cash flows:			
Repayments	–	(80)	(80)
Non-cash flows:			
Exchange rate movement	8	6	14
At 31 December 2021	81	48	129

Following the share placing in May 2020, the balance of the previous 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.

19 Lease Liabilities

The Group has entered into leases, across the business, principally relating to property. These property leases have varying terms and renewal rights. Management applies judgement in determining whether it is reasonably certain that a renewal or termination option will be exercised.

The movement in lease liabilities during the financial year was as follows:

	2021 €'000	2020 €'000
Carrying amount at the beginning of the year	28,864	21,907
Recognition on acquisition of subsidiaries (note 27)	1,402	2,376
Liabilities recognised on new leases in the period	15,392	15,035
Unwinding of discounted liabilities – lease liabilities	985	843
Payment of principal and interest on lease liabilities	(10,938)	(9,013)
Exchange rate movement	1,930	(2,284)
Carrying amount at the end of the year	37,635	28,864

The value of leases not yet commenced to which the lessee is committed, which are not included in lease liabilities at 31 December 2021, was €nil (2020: €10.3m).

Maturity analysis of lease liabilities	2021 €'000 Lease payments	2021 €'000 Finance charges	2021 €'000 Lease liabilities	2020 €'000 Lease payments	2020 €'000 Finance charges	2020 €'000 Lease liabilities
Current						
Not later than one year	12,059	842	11,217	8,291	930	7,361
Non-current						
Later than one year and not later than five years	21,299	1,488	19,811	18,715	1,013	17,702
Later than five years	7,000	393	6,607	5,307	1,506	3,801
	28,299	1,881	26,418	24,022	2,519	21,503
At 31 December	40,358	2,723	37,635	32,313	3,449	28,864

The Group has elected not to recognise a lease liability for short-term leases (leases with an expected term of twelve months or less) or for leases of low-value assets. Payments made under such leases are expensed on a straight-line basis. The expenses in the period relating to payments not included in the measurement of the lease liability were as follows:

Lease payments not recognised as a liability	2021 €'000	2020 €'000
Short-term leases	1,531	1,747
Leases of low value assets	–	–
	1,531	1,747

Lease payments not recognised as a liability	2021 €'000	2020 €'000
The future minimum lease payments related to these leases		
Not later than one year	516	991
Later than one year and not later than five years	–	–
Later than five years	–	–
	516	991

The effect of variable lease payments and re-instatement costs on future cash outflows arising from leases is not material for the Group.

20 Employee Defined Benefit Plans

In line with statutory requirements in France, Italy and India, we are required to maintain employee defined benefit termination payment schemes.

In France, employees are entitled to a lump-sum on retirement or early termination, based on salary and length of service ("Indemnité de Fin de Carrière" or "IFC"), entitling the Group's French employees to benefits of up to two months' salary per year of service.

In Italy, on leaving employment, each employee is entitled to 1/13.5 of their final salary for each year of service ("Trattamento di Fine Rapporto" or "TFR").

In India, in compliance with statutory requirements, employees with over five years' service are entitled to a termination benefit of 15/26 of monthly salary for each year of service ("Gratuity" benefits).

The Group commissions an actuarial valuation of the related liabilities in each jurisdiction annually.

The liabilities at year end are recorded as long term. The actuarial gain or loss is recorded separately within Other comprehensive income. The movements through the year are as follows:

	2021 €'000	2020 €'000
Opening liabilities at 01 January	2,693	2,049
Service cost	419	354
Interest cost	33	30
Benefits paid	(141)	(110)
Actuarial (gain)/loss	(27)	421
Exchange rate movement	111	(51)
Closing liabilities at 31 December	3,088	2,693

20 Employee Defined Benefit Plans continued

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

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

The Group has taken no specific actions to mitigate these factors as due to the long-term nature of the plans it is expected that there will be no sudden financial impact on the Group's results caused by any of these factors. A maturity profile of the obligation is not presented as the liability is not significant in the context of the Group, and due to the age profile of employees a significant outlay is not anticipated for the foreseeable future.

In 2022, the Group expects the costs of the employee defined benefit plan to be in line with current year levels, as staff levels are not anticipated to change significantly in the period.

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

Cost for year	2021 €'000	2020 €'000
Service cost	419	354
Interest cost	33	30
Actuarial (gain)/loss	(27)	421
	425	805

Actuarial (gain)/loss	2021 €'000	2020 €'000
Change due to experience	41	98
Change due to demographical assumptions	(9)	(93)
Change due to financial assumptions	(59)	416
	(27)	421

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	2021	2020
Staff salary increase rate	4.07%	3.63%
Inflation rate	3.04%	2.93%
Discount rate	1.67%	1.23%

Key statistics	2021	2020
Staff (number)	874	782
Average age (years)	31	31
Average service (years)	4	4

Interest rate sensitivities	2021 €'000	2020 €'000
(0.25)%	3,176	2,842
0.25%	2,880	2,568

Mortality rate sensitivities	2021 €'000	2020 €'000
(0.025)%	3,018	2,696
0.025%	3,015	2,693

Staff turnover rate sensitivities	2021 €'000	2020 €'000
(0.50)%	3,049	2,726
0.50%	2,985	2,664

Staff salary increase rate sensitivities	2021 €'000	2020 €'000
(0.50)%	2,976	2,703
0.50%	3,072	2,745

21 Deferred Tax

Details of the deferred tax assets and liabilities, and amounts recognised in the Consolidated statement of comprehensive income are as follows:

	2021 €'000			
	Assets	Liabilities	Net	(Credited)/ charged to income statement
Defined benefit termination payments	328	–	328	(259)
Available losses	1,817	–	1,817	(660)
Rent-free period provisions	222	–	222	(147)
Fixed asset tax base versus accounting book value	1,818	1,702	116	(217)
Deferred tax related to tax credits	–	3,570	(3,570)	1,464
Deferred tax arising on items deductible on a paid basis	5,557	1,761	3,796	(1,857)
Recognition on acquisition of subsidiaries	2,539	3,006	(467)	–
Deferred tax arising on intangibles	9,187	3,801	5,386	(2,345)
Net tax assets/liabilities	21,468	13,840	7,628	(4,021)
Impact of change in tax rates				189
Prior year (over)/under provision				75
Total (credited)/charged to income statement				(3,757)

	2020 €'000			
	Assets	Liabilities	Net	(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)

The deferred tax asset not recognised on available losses at the period end is €3.2m (2020: €3.2m).

22 Shareholders' Equity

Share Capital

	Issue date	Per share €	Number of ordinary £0.01 shares	Number of ordinary £0.01 shares – to be issued	Share capital €'000	Share capital – to be issued €'000	Share premium €'000	Merger reserve €'000
At 01 January 2020			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
G-Net Media	24-Nov-20	23.26	–	130,448	–	3,034	–	–
Ichi	02-Dec-20	15.95	55,612	(55,612)	1	(886)	–	886
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
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

22 Shareholders' Equity continued

	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
Acquisition-related issuance of shares:								
High Voltage Software	12-Jan-21	26.06	307,597	(307,597)	4	(8,017)	–	8,013
Heavy Iron	12-Jan-21	31.84	–	12,914	–	411	–	–
Tantalus	18-Mar-21	27.87	–	368,750	–	10,275	–	–
Tantalus	15-Apr-21	27.87	368,750	(368,750)	4	(10,275)	10,271	–
Climax Studios	21-Apr-21	33.53	–	232,517	–	7,797	–	–
Climax Studios	17-May-21	33.53	232,517	(232,517)	3	(7,797)	–	7,794
Ichi	28-May-21	15.94	14,635	(14,635)	–	(233)	–	233
Coconut Lizard	25-Jun-21	18.24	19,739	(19,739)	–	(399)	–	399
Kantan	02-Jul-21	15.86	12,614	(12,614)	–	(200)	–	200
Kantan related adjustment	02-Jul-21	15.86	–	(2,683)	–	–	–	–
AMC	11-Aug-21	33.49	–	25,080	–	840	–	–
Maverick Media	27-Aug-21	25.35	36,211	(13,579)	–	(334)	–	918
Coconut Lizard	07-Sep-21	28.44	7,962	–	–	–	–	227
G-Net Media	06-Dec-21	23.26	130,410	(130,410)	2	(3,034)	–	3,032
G-Net Media related adjustment	06-Dec-21	23.26	–	(38)	–	(1)	–	–
Waste	16-Dec-21	30.78	–	20,585	–	634	–	–
Indigo Pearl	22-Dec-21	26.27	20,125	(20,125)	–	(529)	–	528
High Voltage Software	24-Dec-21	29.77	69,130	–	1	–	–	2,057
Acquisition-related issuance of shares			1,219,690	(462,841)	14	(10,862)	10,271	23,401
Employee Share Purchase Plan			13,982	–	–	–	398	–
Exercise of share options			962,860	–	11	–	4,929	–
At 31 December 2021			76,275,775	70,144	904	2,185	38,549	273,677

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 any restrictions on dividends or distributions on such shares. In the context of the Company's general meeting authorities, at the Company's AGM on 26 May 2021 its shareholders gave the Directors the authority to allot the following number of shares (or grant rights to subscribe for, or convert any security into, shares) in the capital of the Company:

a) Up to 3,723,243 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 8 April 2021); and

b) Otherwise, up to 24,796,802 shares (33.3% of the Company's issued share capital as at 8 April 2021).

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 2021 AGM will expire on the earlier of (i) fifteen months after 26 May 2021; and (ii) the conclusion of the 2022 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")

	2021		2020	
	Shares	€'000	Shares	€'000
Ordinary shares held in the EBT	335,425	1,997	335,425	1,997

22 Shareholders' Equity continued

Reserves

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

Reserve	Description and purpose
Retained earnings	Cumulative net gains and losses recognised in the Consolidated Statement of Comprehensive Income.
Foreign exchange reserve	Gains or losses arising on retranslation of the net assets of the overseas operations into euro.
Share premium	The share premium account is the amount received for shares issued in excess of their nominal value, net of share issuance costs.
Share-based payments reserve	The Share-based payments reserve is the credit arising on share-based payment charges in relation to the Company's share and share option schemes.
Shares to be issued	For deferred consideration which is to be provided for by the issue of a fixed number of shares at a future defined date, where there is no obligation on Keywords to offer a variable number of shares, the deferred consideration is classified as an Equity Arrangement and the value of the shares is fixed at the date of the acquisition.
Merger reserve	The merger reserve was initially created following the Group reconstruction, when Keywords Studios plc acquired the Keywords International Limited group of companies. When the Group uses Keywords Studios plc shares as consideration for the acquisition of an entity and has secured at least a 90% equity holding in the acquisition, the value of the shares in excess of the nominal value (net of share issuance costs) is also recorded within this reserve, in line with S612 of the Companies Act 2006. Within Merger reserve are balances related to the share premium on the share placements in 2015 and 2020, of €14.4m and €109.5m respectively, both completed via a cash box structure, with the Company acquiring the net proceeds via a share for share exchange. In both cases, the share premium on the issuance of new shares was credited to Merger reserve (in accordance with S610 of the Companies Act 2006). At the time of the placements, the proceeds were not allocated to a specific acquisition or specific purpose, and thus, amounts totalling €123.9m included in the Merger reserve are considered distributable.

23 Share Incentive Schemes

In July 2013, at the time of the IPO, a Share Option Scheme and a Long-Term Incentive Plan ("LTIP") was put in place, while in 2021, the Group introduced an Employee Share Purchase Plan. The charge in relation to these arrangements is as follows:

	2021 €'000	2020 €'000
Share option scheme expense	3,446	2,576
LTIP option expense	12,904	12,774
Employee Share Purchase Plan	44	–
Share-based payments expense	16,394	15,350

Of the total Share-based payments expense, €698k relates to Directors of the Company (2020: €1,007k).

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:

	2021		2020	
	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	12.66	2,345,238	9.97	2,148,102
Granted	25.48	616,000	15.93	822,000
Lapsed	18.96	(163,791)	15.64	(179,151)
Exercised	11.46	(373,879)	4.55	(445,713)
Outstanding at the end of the period	15.68	2,423,568	12.66	2,345,238
Exercisable at the end of the period	6.74	668,734	4.39	638,238
Weighted average share price at date of exercise	27.42		17.91	

23 Share Incentive Schemes continued

Summary by year

Year of Option	2015	2016	2017	2018	2019	2020	2021	Total
Exercise price	£1.58	£2.54	£7.76	£17.10	£15.88	£15.93	£25.48	
Outstanding at the beginning of the period	458,613	34,296	127,034	374,982	588,000	762,313	–	2,345,238
Granted	–	–	–	–	–	–	616,000	616,000
Lapsed	–	–	(500)	(11,000)	(37,000)	(64,291)	(51,000)	(163,791)
Exercised	(73,318)	(13,719)	(69,534)	(119,058)	(98,250)	–	–	(373,879)
Outstanding at the end of the period	385,295	20,577	57,000	244,924	452,750	698,022	565,000	2,423,568
Exercisable at 31 December 2021	385,295	20,577	57,000	111,590	93,750	522	–	668,734
Exercisable 2022	–	–	–	133,334	179,500	232,500	–	545,334
Exercisable 2023	–	–	–	–	179,500	232,500	188,333	600,333
Exercisable 2024	–	–	–	–	–	232,500	188,333	420,833
Exercisable 2025	–	–	–	–	–	–	188,334	188,334

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

Year of Option	2015	2016	2017	2018	2019	2020	2021	Weighted average
Weighted average share price (£)	£1.64	£2.54	£7.75	£17.22	£16.09	£16.00	£26.42	
Weighted average exercise price (£)	£1.58	£2.54	£7.76	£17.10	£15.88	£15.93	£25.48	
Fair value at measurement date (£)	€0.56	€0.40	€1.13	€3.79	€5.72	€6.06	€9.32	
Average expected life	4 Years	4 Years	4 Years	4 Years	4 Years	4 Years	4 Years	
Expected volatility	28.03%	27.17%	24.79%	35.87%	45.23%	50.15%	47.70%	
Risk-free rates	0.90%	0.58%	0.16%	0.89%	0.81%	0.07%	0.15%	
Average expected dividend yield	0.75%	0.55%	0.21%	0.10%	0.10%	0.10%	0.10%	
Weighted average remaining life of options in months	–	–	–	5	17	29	41	22

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:

	2021		2020	
	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	3,692,817	0.01	3,445,868
Granted	0.01	932,656	0.01	1,428,000
Lapsed	0.01	(312,006)	0.01	(178,400)
Exercised	0.01	(608,569)	0.01	(1,002,651)
Outstanding at the end of the period	0.01	3,704,898	0.01	3,692,817
Exercisable at the end of the period	0.01	559,506	0.01	373,648
Weighted average share price at date of exercise	27.62		17.34	

Summary by year

Year of Option	2015	2016	2017	2018	2019	2020	2021	Total
Exercise price	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01	
Outstanding at the beginning of the period	47,358	132,293	196,030	799,000	1,133,936	1,384,200	–	3,692,817
Granted	–	–	–	–	–	–	932,656	932,656
Lapsed	–	–	–	(6,606)	(115,400)	(161,000)	(29,000)	(312,006)
Exercised	(8,358)	(46,405)	(90,994)	(462,812)	–	–	–	(608,569)
Outstanding at the end of the period	39,000	85,888	105,036	329,582	1,018,536	1,223,200	903,656	3,704,898
Exercisable at 31 December 2021	39,000	85,888	105,036	329,582	–	–	–	559,506
Exercisable 2022	–	–	–	–	1,018,536	–	–	1,018,536
Exercisable 2023	–	–	–	–	–	1,223,200	–	1,223,200
Exercisable 2024	–	–	–	–	–	–	903,656	903,656

23 Share Incentive Schemes continued

The inputs into the Monte Carlo binomial model, used to value the options, are as follows:

Year of Option	2015	2016	2017	2018	2019	2020	2021	Weighted average
Weighted average share price (£)	£1.60	£2.56	£7.75	£17.24	£16.05	£16.00	£26.42	
Weighted average exercise price (£)	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01	
Fair value at measurement date (€)	€1.38	€1.74	€4.96	€11.83	€13.98	€13.28	€16.73	
Average expected life	3 Years	3 Years	3 Years	3 Years	3 Years	3 Years	3 Years	
Expected volatility	28.21%	27.11%	24.79%	35.87%	45.26%	50.15%	47.70%	
Risk-free rates	0.88%	0.54%	0.16%	0.89%	0.81%	0.07%	0.13%	
Weighted average remaining life of options in months	–	–	–	–	5	17	29	14

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

Salary Shares

In 2021, a total of 26,738 Salary Shares were granted to a number of Executive Directors under the LTIP plan, with 2,462 shares vesting two years after the grant date, and 24,276 shares vesting three years after the grant date. The average fair value of the shares at the grant date was €32.08.

24 Financial Instruments and Risk Management

Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. 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 2021 €'000	1% Weakening 2021 €'000	1% Strengthening 2020 €'000	1% Weakening 2020 €'000
Interest expense	–	–	(290)	257

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 2.5% of net trade receivables (2020: 4%). 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 77.5% of the total trade receivables balance at the balance sheet date (2020: 79%). Trade and other receivables are carried on the Consolidated statement of financial position net of bad debt provisions.

24 Financial Instruments and Risk Management continued

The ageing of trade receivables can be analysed as follows:

	Total €'000	Not past due €'000	1–2 months past due €'000	More than 2 months past due €'000
At 31 December 2021	68,067	52,753	14,192	1,122
At 31 December 2020	47,832	37,936	7,678	2,218

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

	2021 €'000	2020 €'000
Provision at the beginning of the year	1,982	1,283
Impairment of financial assets (trade receivables) charged to administration expenses	821	1,293
Foreign exchange movement in the year	63	(284)
Utilised	(1,098)	(310)
Provision at the end of the year	1,768	1,982

Trade receivables loss allowance is estimated using a practical expedient to arrive at lifetime expected credit losses. Overdue receivables are evaluated to calculate an expected credit loss using a historical credit loss experience of 1.0% (2020: 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.

	Total €'000	Not past due €'000	1–2 months past due €'000	More than 2 months past due €'000
Trade receivables gross	69,835	53,286	14,502	2,047
Credit impaired	(1,070)	–	(165)	(905)
Expected credit losses	(698)	(533)	(145)	(20)
At 31 December 2021	68,067	52,753	14,192	1,122

	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

There were no related party receivables at the end of either period presented.

Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The foreign exchange risk arises for the Group where assets and liabilities arise in a currency other than the functional currency of the entity.

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

The Group is predominantly exposed to currency risk on the balances held within working capital across the Group and the exposure is concentrated in the movement of the US dollar, sterling and Canadian dollar against the euro. The effect of a strengthening or weakening of 10% in those currencies against the euro at the reporting date on the working capital balances would, all other variables held constant, have resulted in the following pre-tax profit/(loss) impact for the year:

	2021 €'000		2020 €'000	
	10% Strengthening	10% Weakening	10% Strengthening	10% Weakening
US dollar to euro	5,545	(4,536)	4,712	(3,855)
Sterling to euro	(1,333)	1,091	835	(683)
Canadian dollar to euro	169	(138)	594	(486)

24 Financial Instruments and Risk Management continued

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 €229.7m of current assets, including cash of €105.7m available to settle liabilities as they fall due.

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

	Carrying value	Contractual cash flows				
At 31 December 2021	Total €'000	Total €'000	Within 1 year €'000	1–2 years €'000	2–5 years €'000	Over 5 years €'000
Trade payables	11,122	11,122	11,122	–	–	–
Deferred and contingent consideration (i)	54,142	61,223	37,953	14,008	9,262	–
Other payables	72,535	72,535	72,535	–	–	–
Loans and borrowings	129	129	81	48	–	–
Loan interest	–	6	4	2	–	–
Lease liabilities	37,635	40,358	12,059	8,257	13,042	7,000
Total	175,563	185,373	133,754	22,315	22,304	7,000

	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

(i) Deferred and contingent consideration at 31 December 2021 has arisen on business combinations, and is based on contracted amounts to be paid in the future to sellers under share purchase agreements. In general, in order for contingent consideration to become payable, pre-defined profit and/or revenue targets must be exceeded. On an undiscounted basis, the Group may be liable for deferred and contingent consideration up to a maximum of €61.2m.

25 Capital Management

Group	2021 €'000	2020 €'000
Loans and borrowings (note 18)	129	195
Less: cash and cash equivalents	(105,710)	(103,070)
Net debt/(net cash) position	(105,581)	(102,875)
Total equity	472,120	371,235
Net debt/(net cash) to capital ratio	(22.4)%	(27.7)%

The Group manages capital by monitoring debt to capital and net debt ratios. This debt to capital ratio is calculated as net debt to total equity. Net debt is calculated as loans and borrowings (as shown in the Consolidated statement of financial position) less cash and cash equivalents. The liquidity risk and cash management for the Group is managed centrally by the Group Treasury function. Group Treasury manage bank balances centrally, and monitors the credit rating and stability of the institutions the Group banks with. The Board receives projections on a monthly basis as well as information regarding cash balances. The Group's strategy is to preserve a strong cash base and secure access to finance at reasonable cost by maintaining a good credit rating.

26 Related Parties and Shareholders

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 2021, P.E.Q. Holdings Limited owned 0.66% (2020: 4.73%) 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. Mr. Giorgio Guastalla retired from the Board of the Company in January 2022.

There were no transactions in the period with Italicatessen Limited (2020: €13k), who provided canteen services to Keywords International Limited on an arm's length basis. This activity ceased in 2020, and there were no balances owing to Italicatessen Limited at the end of either period presented.

In addition, on an arm's length basis, the Group paid rent of €22k in 2020, in respect of premises occupied by employees of the Group in Dublin to Mr. Giorgio Guastalla, Director of the Company, and shareholder of P.E.Q. Holdings Limited. This activity also ceased in 2020, and there were no balances owing at the end of either period presented in respect of this activity.

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

27 Business Combinations

Details of goodwill and the fair value of net assets acquired	2021 €'000	2020 €'000
Book value:		
Property, plant and equipment	572	872
Right of use assets	1,402	2,376
Trade and other receivables – gross	7,439	4,069
Bad debt provision	(7)	–
Cash and cash equivalents	10,618	9,477
Trade and other payables	(8,245)	(4,904)
Lease liabilities	(1,402)	(2,376)
Book value of identifiable assets and liabilities acquired	10,377	9,514
Fair value adjustments:		
Identifiable intangible assets	11,502	17,673
Identifiable tangible assets	–	(27)
Deferred tax assets	2,539	9,363
Trade and other payables	–	1,003
Deferred tax liabilities	(3,006)	(3,970)
Total fair value adjustments	11,035	24,042
Net assets acquired	21,412	33,556
Goodwill from current year acquisitions	97,918	47,112
Total purchase consideration	119,330	80,668
Details of purchase consideration and outflows from current acquisitions		
Cash	59,314	46,924
Deferred cash	1,565	41
Deferred consideration contingent on performance	33,726	21,090
Combination put/call options to acquire residual 15% of Tantalus	4,768	–
Shares to be issued	19,957	12,613
Total purchase consideration	119,330	80,668
Related acquisition costs charged through to the Statement of comprehensive income:	1,099	307
Number of shares:		
Shares issued on acquisition	621,852	–
Fixed number of shares to be issued	37,994	503,052
Net cash outflow arising on acquisition:		
Cash paid in the period	59,314	46,924
Less: cash and cash equivalent balances transferred	(10,617)	(9,477)
Net cash outflow arising on acquisition	48,697	37,447

	2021 €'000	2020 €'000
Business Combinations continued		
Details of pro forma revenues and profitability of current acquisitions		
Pre-acquisition revenue	16,345	35,729
Pre-acquisition revenue with Keywords Group	(1,908)	–
Post-acquisition revenue	24,990	7,208
Pro forma revenue	39,427	42,937
Pre-acquisition profit before tax	2,573	9,399
Post-acquisition profit before tax	9,653	2,561
Pro forma profit before tax	12,226	11,960

During the period, the Group completed six acquisitions, Heavy Iron, Tantalus, Climax Studios, AMC, Waste and Wicked Witch, purchasing 100% of the share capital of these businesses, except in the case of Tantalus where the Group acquired an 85% interest. A combination of put and call options are in place requiring the sellers to sell, or the Group to buy, the remaining 15% shareholding in three years. The Group has recognised a contingent consideration liability at fair value, being the Group's estimate of the present value of the amount required to settle the liability, and has accounted for the acquisition as if a 100% interest was acquired on acquisition (see note 3).

The aggregate amounts recognised in respect of the identifiable assets acquired and liabilities assumed on acquisitions completed in the period are set out in the table above. Details of the purchase consideration and other information relevant to the evaluation of the financial effect of the acquisitions are also presented.

The main factors leading to the recognition of goodwill on the acquisitions are the presence of certain intangible assets in the acquired entities, which are not valued for separate recognition. These include expertise in the acquired entities, enhancing and growing our service capabilities, broadening our service offering, and extending our geographical footprint, further building out our global platform.

The goodwill that arose from business combinations completed in the period that is expected to be deductible for tax purposes was €9.1m.

28 Subsidiaries

The results and financial position of all the subsidiaries are included in the consolidated financial statements. Details of the Company's direct and indirect subsidiaries as at 31 December 2021 are set out below:

Name	Country of incorporation	Date of incorporation/ acquisition	Ownership^	Registered office
3455 Productions, LLC	USA	24 Nov 20	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA
9409–2954 Québec Inc.	Canada	04 Dec 19	100%	1751 Richardson Street, Suite 8400, Montreal, Quebec, H3K 1G6, Canada
Alset Limited	UK	17 Aug 18	100%	1st Floor, 39 Earlham Street, London WC2H 9LT, UK
Appsectest Limited	UK	22 Jan 19	48.8%	Unit 13 Orton Enterprise Centre, Bakewell Road, Peterborough, Cambridgeshire, PE2 6XU, UK
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 Limited *	UK	17 Feb 14	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
Babel Media USA, Inc.	USA	17 Feb 14	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA
Bitsy SG Limited	UK	17 Aug 18	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
Blindlight, LLC	USA	08 Jun 18	100%	8335 Sunset Blvd, Ste 307, West Hollywood, CA 90069, USA
Climax Development Limited	UK	22 Apr 21	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
Climax Studios Limited	UK	22 Apr 21	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
Coconut Lizard Limited	UK	25 Jun 20	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
Cord Worldwide Limited	UK	07 Apr 18	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
d3t Development Limited	UK	30 Aug 18	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
d3t Limited	UK	19 Oct 17	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
Descriptive Video Works Inc.	Canada	11 Jun 19	100%	400–725 Granville Street, PO Box 10325, Vancouver BC V7Y 1G5, Canada
Eastern New Media Limited	Hong Kong	19 May 17	100%	4404, 44/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Edugame Solutions Private Limited	India	09 Oct 14	100%	D – 3/C, Munirka Flats, New Delhi, 110067, India
Electric Square Limited	UK	17 Aug 18	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
Fire Without Smoke Inc	USA	29 May 18	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA
Fire Without Smoke Limited	UK	29 May 18	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
GameSim Inc.	USA	16 May 17	100%	13501 Ingenuity Drive, Suite 310, Orlando, FL 32826, USA
g-Net Media, Inc.	USA	24 Nov 20	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA
High Voltage Software, Inc.	USA	14 Dec 20	100%	2345 Pembroke Ave., Hoffman Estates, IL 60169, USA
HVS Nola LLC	USA	14 Dec 20	100%	201 St. Charles Ave., Suite 2220, New Orleans, LA 70170, USA
Ichi Creative Ltd	USA	26 Nov 19	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA

Name	Country of incorporation	Date of incorporation/ acquisition	Ownership^	Registered office
Ichi Limited	UK	26 Nov 19	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
Indigo Pearl Limited	UK	15 Dec 20	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
Itsy SGD Limited	UK	17 Aug 18	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
Jinglebell S.r.l.	Italy	10 Dec 20	100%	Via Marco d'Oggiono 12, Milan, Italy
Jurango Pty Limited ~~	Australia	20 Dec 21	100%	29 Thornton Crescent, Mitcham, VIC 3132, Australia
Keywords (Shanghai) Information Technology Limited	China	02 Apr 15	100%	7th Floor, Building A, Dong Ti YuHui Road, Hongkou District, Shanghai, China
Keywords Asia Private Limited	Singapore	15 Mar 16	100%	20 Kallang Avenue, #06-6A, Lobby B, Pico Creative Centre, 339411, Singapore
Keywords Australia Holdings Limited	UK	17 Mar 21	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
Keywords Australia Pty Limited ~	Australia	18 Mar 21	85%	12 Spring Street, Fitzroy, Victoria, 3065, Australia
Keywords Canada Holdings Inc.	Canada	27 Oct 17	100%	1751 Richardson Street Suite 8400, Montreal QC, H3K 1G6, Canada
Keywords do Brasil Localização e Tradução Ltda	Brazil	18 Jan 15	100%	Av. Churchill, 109 – Sala 204 – Centro, Rio de Janeiro-RJ, CEP: 20020-050, Brazil
Keywords Germany Holdings GmbH	Germany	06 Sep 19	100%	Moriz-Seeler-Strasse 5–7, Franz Ehrlich Haus,12489 Berlin, Germany
Keywords International Co., Limited	Japan	30 Nov 10	100%	2-3-1 Kudanminami, Chiyoda-ku, Tokyo 102-0074, Japan
Keywords International Limited	Ireland	13 May 98	100%	Whelan House, South County Business Park, Dublin 18, Ireland
Keywords International Pte. Limited	Singapore	24 Apr 14	100%	20 Kallang Avenue, #06-6A, Lobby B, Pico Creative Centre, 339411, Singapore
Keywords International, Inc.	USA	26 Sep 12	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA
Keywords Studios B.C., Inc.	Canada	27 Oct 17	100%	1700-1075 West Georgia Street, Vancouver, BC, V6E 3C9, Canada
Keywords Studios France SAS	France	08 Jun 16	100%	59 Boulevard Exelmans, 75016 Paris, France
Keywords Studios Italy S.R.L.	Italy	08 May 14	100%	Via Egadi 2, Milano, MI, 20144, Italy
Keywords Studios Korea Corporation	South Korea	11 Jan 21	100%	16th Floor, Gangnam Building, 1321-1, Seocho-dong, Seocho-gu, Seoul 137-070, South Korea
Keywords Studios Los Angeles, Inc.	USA	08 May 14	100%	1115 Flower Street, Burbank, CA 91502, USA

28 Subsidiaries continued

Name	Country of incorporation	Date of incorporation/ acquisition	Ownership^	Registered office
Keywords Studios Limited *	Ireland	27 Mar 18	100%	Whelan House, South County Business Park, Dublin 18, Ireland
Keywords Studios México, S. de R.L. de C.V.	Mexico	16 Jul 15	100%	Torrente #75, Colonia Ampliación Alpes, Del. Álvaro Obregón, C.P. 01710, Ciudad de México, México
Keywords Studios Netherlands B.V.	Netherlands	05 Feb 19	100%	Wilhelmina van Pruisenweg 35, 2595AN The Hague, The Netherlands
Keywords Studios Poland Spolka z.o.o.	Poland	04 Feb 21	100%	11 Ul. Na Zjezdzie, Krakow 30-527, Poland
Keywords Studios QC-Games Inc.	Canada	17 Feb 14	100%	1751 Richardson, suite 8400, Montréal, Québec, H3K1G6, Canada
Keywords Studios QC-Interactive Inc.	Canada	16 Nov 16	100%	1751 Richardson, suite 8400, Montréal, Québec, H3K1G6, Canada
Keywords Studios QC-Tech Inc.	Canada	06 Jan 15	100%	1751 Richardson, suite 8400, Montréal, Québec, H3K1G6, Canada
Keywords Studios Spain SLU	Spain	16 Jul 15	100%	Julián Camarillo 6A, 3B, 28037 Madrid, Spain
Keywords UK Holdings Limited	UK	28 Mar 18	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
Keywords US Holdings Inc.	USA	23 Oct 17	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA
Keywords Ventures Limited	UK	06 Apr 18	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
Laced Music Limited	UK	07 Apr 18	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
Lakshya Digital Private Limited *	India	09 Oct 14	100%	3rd floor, Vardhman Orchard Plaza, Plot No 4, LSC, West Enclave, Pitampura, New Delhi, 110034, India
Lakshya Digital Singapore Pte. Limited	Singapore	09 Oct 14	100%	20 Kallang Avenue, #06-6A, Lobby B, Pico Creative Centre, 339411, Singapore
Liquid Development, LLC	USA	19 Aug 15	100%	411 SW 2nd Ave Ste 300, Portland, OR 97204, USA
Liquid Violet Limited *	UK	15 Jan 14	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
Lonsdale Miller Limited	UK	15 Dec 20	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
Marching Cube, LLC	USA	22 Jan 20	100%	815A Brazos #334, Austin, TX 78701, USA
Maverick Media Limited	UK	27 Aug 20	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
Paleblue Limited	UK	07 Apr 18	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
Player Research Limited	UK	26 Oct 16	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
PT Limitless Indonesia	Indonesia	19 May 17	100%	Jl. Timoho II, No. 32, Yogyakarta, Indonesia
Snowed In Studios, Inc	Canada	19 Jul 18	100%	400–981 Wellington Street West, Ottawa, Ontario, K1Y 2Y1, Canada
Sperasoft Poland Spólka z.o.o.	Poland	13 Dec 17	100%	Ul. Na Kozłówce 27, 30-664 Kraków, Poland

Name	Country of incorporation	Date of incorporation/ acquisition	Ownership^	Registered office
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
SPOV Limited	UK	16 Feb 17	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
Strongbox Limited	Seychelles	19 May 17	100%	306 Victoria House, Victoria, Mahe, Seychelles
Studio Gobo Limited	UK	17 Aug 18	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
Sunny Side Up Creative Inc.	Canada	03 Jan 19	100%	410 Boulevard Charest Est, Suite 410, Québec, Québec, G1K 8G3, Canada
Synthesis Deutschland GmbH *	Germany	12 Apr 16	100%	Holstenkamp 46 A, Bahrenfeld, 22525 Hamburg, Germany
Synthesis Global Solutions SA*	Switzerland	12 Apr 16	100%	Corso Elvezia 16, 6900 Lugano, Ticino, Switzerland
Tantalus Media Pty Limited ~	Australia	18 Mar 21	100%	13 Spring Street, Fitzroy, Victoria, 3065, Australia
The Trailerfarm Limited	UK	13 Sep 18	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
TV+SYNCHRON Berlin GmbH	Germany	01 Oct 19	100%	Moriz-Seeler-Strasse 5-7, Franz Ehrlich Haus, 12489, Berlin, Germany
VMC Consulting Corporation	USA	24 Oct 17	100%	251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA
Waste Creative Limited	UK	16 Dec 21	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
Waste Holdings Limited	UK	16 Dec 21	100%	1st Floor, 39 Earlham Street, London, WC2H 9LT, UK
Wicked Witch Software Pty Limited~~	Australia	20 Dec 21	100%	29 Thornton Crescent, Mitcham, VIC 3132, Australia
Wizcorp Inc.	Japan	18 Apr 19	100%	3-10-14, Higashi-Nihonbashi 3-chome, Sunrise Tachibana 6F, Chuo-ku, 103-0004, Tokyo, Japan
Xcelerator Machine Translations Limited	Ireland	12 Dec 19	100%	Invent, Dublin City University, Glasnevin, Dublin 9, Ireland
Xloc, Inc.	USA	08 May 17	100%	8801 Fast Park Drive, Suite 301, Raleigh, NC 27617, USA

* Indicates a direct subsidiary (all other holdings are indirect, being subsidiaries of various intermediate group holding companies)

^ Proportion of voting rights and ordinary share capital ultimately held by Keywords Group

\+ The registered office address was changed from 201 Temple Chambers, 3–7 Temple Avenue, London, EC4Y 0DT, England on 26 January 2022

~ A combination of put and call options are in place requiring the sellers to sell, or the Group to buy the remaining 15% shareholding in three years. The Group has accounted for the acquisition as if a 100% interest was acquired on acquisition (see note 3).

~~ Acquired by Keywords Australia Pty Limited

28 Subsidiaries continued

Post-acquisition, the Group reviews entities to streamline activities and close any dormant entities acquired or re-structured entities. Re-structuring details are set out below:

Name	Country of incorporation	Date of incorporation/ acquisition	Ownership	Date of re-structuring	Re-structuring details
Ichi Holdings Limited	UK	26-Nov-19	100%	16-Dec-21	Liquidated
Keywords International Barcelona SL	Spain	09-Jan-15	100%	23-Nov-21	Merged
Red Hot Software (Shanghai) Limited	China	19-May-17	100%	30-Jun-21	Dissolved
Red Hot Software (Zhengzhou) Limited	China	19-May-17	100%	21-Oct-21	Dissolved

29 Events after the Reporting Date

Crisis in Ukraine

Since the year end, the Group's operations have been impacted by the tragic events in Ukraine. While the Group does not have operations in Ukraine, the Group does have Game Development teams in a number of locations in Russia working exclusively for customers located outside of the country. The Group also works with a number of freelance suppliers in Ukraine. Our immediate priority has been to do all that we can to support our people and our freelance suppliers in the territory, while contributing to the wider humanitarian efforts in the region.

Revenues delivered from the Group's operations in Russia are presented in note 4. In 2021, the Group delivered €29.4m of revenue in Russia, up from €28.0m in 2020, and represents approximately 5.7% of Group revenue. While we continue to focus on serving our customers, we are also focused on mitigating any potential business interruption or other risks associated with this activity.

Geographical analysis of non-current assets from continuing businesses is also presented in note 4. Approximately €1.4m of the amount presented within the "Other" category relates to Russian located property, plant and equipment, being mainly computer equipment. The Group does not have significant receivables exposure in Russia, as work produced in Russia is contracted and collected in other territories. In addition, the Group does not have significant amounts of other current assets or right of use assets located in Russia. Thus, any exposure to impairment of assets located in Russia is not considered material.

The Directors have applied downside sensitivities to the Group's projections to evaluate any potential goodwill impairment resulting from the crisis. The result of the value in use calculations was that no impairment would be required even in a worst case scenario where all Russian located production capacity was excluded from projections.

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	At 31 December 2021 €'000	 2020 €'000
Non-current assets			
Right of use assets	36	206	389
Property, plant and equipment	37	308	317
Deferred tax assets		657	379
Investment in subsidiaries	38	30,175	30,670
Other receivables	39	335,511	258,536
		366,857	290,291
Current assets			
Cash and cash equivalents		17,043	30,696
Other receivables	39	7,468	5,821
		24,511	36,517
Current liabilities			
Trade payables		1,127	61
Other payables	40	19,651	9,979
Lease liabilities	41	216	197
		20,994	10,237
Net current assets/(liabilities)		3,517	26,280
Non-current liabilities			
Other payables	40	3,660	–
Lease liabilities	41	–	202
		3,660	202
Net assets		366,714	316,369
Equity			
Share capital	22	904	879
Share capital – to be issued	22	2,185	13,047
Share premium	22	38,549	22,951
Merger reserve		279,358	255,957
Shares held in Employee Benefit Trust ("EBT")	22	(1,997)	(1,997)
Share-based payments reserve		48,193	31,799
Retained earnings		(478)	(6,267)
Total equity		366,714	316,369

In accordance with the Companies Act 2006, the Company is availing of the exemption from presenting its individual Statement of comprehensive income to the Annual General Meeting and from filing it with Companies House. The amount of profit after tax dealt with in the parent undertaking is €6,404k (2020: loss of €6,183k).

The notes from page 128 onwards form an integral part of these Company financial statements. The financial statements were approved and authorised for issue by the Board on 30 March 2022.

On behalf of the Board

BERTRAND BODSON
DIRECTOR

JON HAUCK
DIRECTOR

30 March 2022

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital €'000	Share capital – to be issued €'000	Share premium €'000	Merger reserve €'000	Shares held in EBT €'000	Share-based payments reserve €'000	Retained earnings €'000	Total equity €'000
At 01 January 2020	780	5,310	20,718	138,393	(1,997)	16,449	(84)	179,569
Profit/(loss) 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-based payments 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
Profit/(loss) for the period	–	–	–	–	–	–	6,404	6,404
Total comprehensive income for the period	–	–	–	–	–	–	6,404	6,404
Contributions by and contributions to the owners:								
Share-based payments expense	–	–	–	–	–	16,394	–	16,394
Share options exercised	11	–	4,929	–	–	–	–	4,940
Employee Share Purchase Plan	–	–	398	–	–	–	–	398
Dividends	–	–	–	–	–	–	(615)	(615)
Acquisition-related issuance of shares	14	(10,862)	10,271	23,401	–	–	–	22,824
Contributions by and contributions to the owners	25	(10,862)	15,598	23,401	–	16,394	615	43,941
At 31 December 2021	904	2,185	38,549	279,358	(1,997)	48,193	(478)	366,714

COMPANY STATEMENT OF CASH FLOWS

	Note	Years ended 31 December 2021 €'000	2020 €'000
Cash flows from operating activities			
Profit/(loss) after tax		6,404	(6,183)
Income and expenses not affecting operating cash flows			
Share-based payments expense, net of amounts re-charged to subsidiary companies		4,099	621
Interest receivable		–	(6)
Interest expense		935	946
Depreciation – property, plant and equipment	37	54	47
Depreciation – right of use assets	36	204	200
Amounts written off financial assets		(126)	–
Unrealised foreign exchange (gain)/loss		34	–
		5,200	1,808
Changes in operating assets and liabilities			
(Increase)/decrease in other receivables		25,123	29,329
Increase/(decrease) in trade and other payables		14,232	(6,944)
		39,355	22,385
Taxation paid		–	–
Net cash generated by/(used in) operating activities		50,959	18,010
Cash flows from investing activities			
Funding advanced to subsidiaries		(64,200)	(39,142)
Current year acquisition of subsidiaries net of cash acquired		(3,124)	–
Acquisition of property, plant and equipment	37	(45)	(7)
Interest received		–	6
Net cash generated by/(used in) investing activities		(67,369)	(39,143)
Cash flows from financing activities			
Repayment of loans	42	–	(64,000)
Loan to finance acquisitions	42	–	4,500
Payments of principal on lease liability		(206)	(194)
Interest paid on principal of lease liability		(7)	(12)
Dividends paid	9	(615)	–
Shares issued for cash	22	5,338	111,698
Interest paid		(1,753)	(762)
Net cash generated by/(used in) financing activities		2,757	51,230
Increase/(decrease) in cash and cash equivalents		(13,653)	30,097
Cash and cash equivalents at beginning of the period		30,696	599
Cash and cash equivalents at end of the period		17,043	30,696

30 Basis of Preparation

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

Unless otherwise stated, the financial statements have been prepared in thousands ('000) and the financial statements are presented in euro (€).

Please refer to the Group financial statements for additional information concerning the basis of preparation. References in the Company financial statements to notes numbered earlier than note 30, refer directly to specific notes in the Group financial statements.

31 Significant Accounting Policies

Intercompany Receivables

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

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

Other Significant Accounting Policies

The Company applies consistent accounting policies to those applied by the Group. Please refer to the Group financial statements for disclosure of other relevant accounting policies.

32 Critical Accounting Estimates and Judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Judgements

The judgements, apart from those involving estimations, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the Company financial statements, are outlined below.

Company

– **Expected Credit Loss Provision on Company Receivables from Subsidiaries:** As outlined in note 39, the Company has significant receivables from subsidiaries, primarily related to investments in acquisitions. The Directors have taken into account both the ongoing acquisition integration program and the cash-generating capacity of the Group, in concluding (in note 43) that all such loans are recoverable and the expected credit loss provisions are adequate.

– **Other Judgements:** The Company applies consistent judgements to those applied by the Group. To the extent that judgements are relevant to both Group and Company financial statements, please refer to the Group financial statements for other relevant judgements.

33 Auditor Statutory Disclosure

The audit fee for the Company is outlined in note 5 of the Group financial statements.

34 Dividends and Distributable Reserves

Details of dividends and distributable reserves of the Company are presented in note 9 of the Group financial statements.

35 Staff Costs

Total staff costs (including Directors)	2021 €'000	2020 €'000
Salaries and related costs	5,221	2,626
Social welfare costs	525	312
Pension costs	88	96
Share-based payments expense	16,394	15,350
	22,228	18,384

Average number of employees	2021	2020
Operations	3	4
General and administration	34	22
	37	26

36 Right of Use Assets

The Company has entered into leases, principally relating to property.

	2021 €'000	2020 €'000
Cost		
At 01 January	781	825
Exchange rate movement	54	(44)
At 31 December	835	781
Accumulated depreciation		
At 01 January	392	206
Depreciation charge	204	200
Exchange rate movement	33	(14)
At 31 December	629	392
Net book value		
At 01 January	389	619
At 31 December	206	389

37 Property, Plant and Equipment

	Computers and software €'000	Office furniture and equipment €'000	Leasehold improvements €'000	Total €'000
Cost				
At 01 January 2020	5	145	280	430
Additions	7	–	–	7
At 31 December 2020	12	145	280	437
Additions	45	–	–	45
At 31 December 2021	57	145	280	482
Accumulated depreciation				
At 01 January 2020	3	23	47	73
Depreciation charge	2	15	30	47
At 31 December 2020	5	38	77	120
Depreciation charge	9	15	30	54
At 31 December 2021	14	53	107	174
Net book value				
At 01 January 2021	7	107	203	317
At 31 December 2021	43	92	173	308

38 Investment in Subsidiaries

	2021 €'000	2020 €'000
	30,175	30,670

Details of the Company's direct and indirect subsidiaries as at 31 December 2021 are set out in note 28 of the Group financial statements.

39 Other Receivables

Current	2021 €'000	2020 €'000
Intercompany receivables (financial assets held at amortised cost, see note 44)	5,099	5,126
Prepayments	1,702	556
Other receivables	478	–
Tax and social security	189	139
	7,468	5,821

Non-current	2021 €'000	2020 €'000
Intercompany receivables (financial assets held at amortised cost, see note 44)	335,511	258,536
	335,511	258,536

40 Other Payables

Current	2021 €'000	2020 €'000
Accrued expenses	1,915	1,053
Payroll taxes	164	412
Other payables	253	33
Intercompany payables	17,319	8,481
	19,651	9,979

Non-current	2021 €'000	2020 €'000
Intercompany payables	3,660	–
	3,660	–

41 Lease Liabilities

The Company has entered into leases principally relating to property. Management applies judgement in determining whether it is reasonably certain that a renewal or termination option will be exercised.

The movement in lease liabilities during the financial year was as follows:

	2021 €'000	2020 €'000
Carrying amount at the beginning of the year	399	626
Unwinding of discounted liabilities – lease liabilities	7	12
Payment of principal and interest on lease liabilities	(213)	(206)
Exchange rate movement	23	(33)
Carrying amount at the end of the year	216	399

Maturity analysis of lease liabilities	2021 €'000 Lease payments	2021 €'000 Finance charges	2021 €'000 Lease liabilities	2020 €'000 Lease payments	2020 €'000 Finance charges	2020 €'000 Lease liabilities
Current						
Not later than one year	218	2	216	204	7	197
Non-current						
Later than one year and not later than five years	–	–		204	2	202
Later than five years	–	–	–	–	–	–
	–	–	–	204	2	202
At 31 December	218	2	216	408	9	399

42 Loans and Borrowings

Loans and borrowings (classified as financial liabilities under IFRS 9), are held at amortised cost.

The movement in loans and borrowings is as follows:

	Current €'000	Non-current €'000	Total €'000
At 01 January 2020	–	59,500	59,500
Cash flows:			
Drawdowns	–	4,500	4,500
Repayments	–	(64,000)	(64,000)
At 31 December 2020	–	–	–
At 31 December 2021	–	–	–

Details of the Company's credit facilities are outlined in note 18 of the Group financial statements.

43 Risk Management

A description of the Group's financial risk management objectives and policies is provided in note 24 to the Group financial statements. These financial risk management objectives and policies also apply to the Company.

Credit Risk

As presented in note 39, receivables from subsidiaries relating to investments in acquisitions comprise term loans extended to subsidiaries, while receivables from subsidiaries relating to trading activities comprise trading balances repayable on demand. Balances are analysed in terms of the risk profile of the subsidiary.

The Directors have assessed the ongoing expected recovery strategy of loans due from subsidiaries of €335.5m (2020: €258.5m), within Stage 1 of the IFRS 9 impairment assessment model. Having noted that such loans are within their repayment terms, the Directors have concluded that no provision for expected credit losses is required (2020: €nil).

Separately, the Company has balances of €5.1m (2020: €5.1m), which are technically repayable upon demand. These loans are within Stage 3 of the IFRS 9 impairment assessment model. The Directors have reviewed in detail the recovery strategy in relation to these loans and concluded that a small number of such loans are technically in a credit-impaired status. No expected credit loss has been recognised in relation to these balances (2020: €218k).

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

	Carrying value	Contractual cash flows				
At 31 December 2021	Total €'000	Total €'000	Within 1 year €'000	1–2 years €'000	2–5 years €'000	Over 5 years €'000
Trade payables	1,127	1,127	1,127	–	–	–
Other payables	23,311	23,311	23,311	–	–	–
Lease liability	216	218	218	–	–	–
Total	24,654	24,656	24,656	–	–	–

	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	–	–

44 Related Parties

As at 31 December 2021 and 2020, the Company had amounts receivable from its subsidiaries as follows:

	2021 €'000	2020 €'000
Receivables from subsidiaries related to investment in acquisitions	335,511	258,536
Receivables from subsidiaries relating to trading activities	5,099	5,126
	340,610	263,662

	2021 €'000	2020 €'000
Non-current (note 39)	335,511	258,536
Current (note 39)	5,099	5,126
	340,610	263,662

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, the euro. In order to understand the underlying trading performance of the business, revenue is also presented using rates consistent with the prior year in order to provide year over year comparability.

Adjusted profit and earnings per share measures – Adjusted profit and earnings per share measures are used to provide management and other users of the financial statements with a clear understanding of the underlying profitability of the business over time. Adjusted profit measures are calculated by adding the following items back to the equivalent GAAP profit measures:

- **Amortisation of intangible assets** – Customer relationships and music licence amortisation commences on acquisition, whereas intellectual property/development costs amortisation commences when the product is launched. These costs, by their nature, can vary by size and amount each year. As a result, amortisation of intangibles is added back to assist with the understanding of the underlying trading performance of the business and to allow comparability across regions and categories.
- **Costs of acquisition and integration** – The level of acquisition activity can vary each year and therefore the costs associated with acquiring and integrating businesses are added back to assist with the understanding of the underlying trading performance of the Group.
- **Share-based payments** – The Group uses share-based payments as part of remuneration to align the interests of senior management and employees with shareholders. These are non-cash charges and the charge is based on the Group's share price which can change. The costs are therefore added back to assist with the understanding of the underlying trading performance.
- **Foreign exchange gains and losses** – The Group does not hedge foreign currency translation exposures. The effect on the Group's results of movements in exchange rates can vary each year and are therefore added back to assist with understanding the underlying trading performance of the business.
- **COVID-19 government subsidies claimed** – In 2020 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 2020. 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 prior year, the measure has also been adjusted for COVID-19 subsidies claimed given the one-time nature of this income.

Net debt – The Group manages capital by monitoring debt to capital and net debt ratios. Net debt is calculated as Loans and borrowings less Cash and cash equivalents, and excludes Lease liabilities. The debt to capital ratio is calculated as net debt as a percentage of total equity.

The remainder of this section provides a reconciliation of the APMs with the relevant IFRS GAAP equivalent.

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 2020 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.

	2021 Revenue AER €m	2021 Revenue CER €m	2020 Revenue AER €m	2021 Growth AER %	2021 Growth CER %
Art Creation*	49.3	49.5	38.9	26.7%	27.2%
Marketing*	46.2	46.4	18.4	151.1%	152.2%
Game Development	138.9	140.0	80.0	73.6%	75.0%
Audio	61.3	61.9	47.2	29.9%	31.1%
Functional Testing	92.7	92.0	78.5	18.1%	17.2%
Localization	50.8	51.4	45.4	11.9%	13.2%
Localization Testing	27.1	27.2	23.3	16.3%	16.7%
Player Support	45.9	47.1	41.8	9.8%	12.7%
	512.2	515.5	373.5	37.1%	38.0%

* The prior year comparatives have been re-classified to separately report Marketing services, previously reported within the Art Creation service line.

Pro forma revenue

Pro forma revenue is calculated by adding pre-acquisition revenues of current year acquisitions to the current year revenue numbers, to illustrate the size of the Group had the acquisitions been included from the start of the financial year.

	2021 Revenue AER €m	2021 Pre-acquisition revenue AER €m	2021 Pro forma Revenue AER €m
Art Creation	49.3	1.6	50.9
Marketing	46.2	6.2	52.4
Game Development	138.9	8.5	147.4
Audio	61.3	–	61.3
Functional Testing	92.7	–	92.7
Localization	50.8	–	50.8
Localization Testing	27.1	–	27.1
Player Support	45.9	–	45.9
	512.2	16.3	528.5

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 2020 foreign exchange rates to both years.

	2020 Revenue AER €m	2020 Pre-acquisition revenue AER €m	2020 Like for like revenue AER €m	2021 Revenue growth CER €m	2021 Revenue CER €m	2021 Organic revenue growth CER %
Art Creation*	38.9	0.9	39.8	9.7	49.5	24.4%
Marketing*	18.4	16.3	34.7	11.7	46.4	33.7%
Game Development	80.0	40.7	120.7	19.3	140.0	16.0%
Audio	47.2	1.4	48.6	13.3	61.9	27.4%
Functional Testing	78.5	–	78.5	13.5	92.0	17.2%
Localization	45.4	0.4	45.8	5.6	51.4	12.2%
Localization Testing	23.3	–	23.3	3.9	27.2	16.7%
Player Support	41.8	–	41.8	5.3	47.1	12.7%
	373.5	59.7	433.2	82.3	515.5	19.0%

* The prior year comparatives have been re-classified to separately report Marketing services, previously reported within the Art Creation service line. The equivalent 2020 organic growth rates were 30.8% for Marketing and 13.0% for Art Creation respectively.

Adjusted operating costs

This comprises Administrative expenses as reported in the Consolidated statement of comprehensive income, adding back share-based payments expense, costs of acquisition and integration, amortisation 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		2021 €'000	2020 €'000
Administrative expenses	Consolidated statement of comprehensive income	(149,749)	(102,090)
Share-based payments expense	Consolidated statement of comprehensive income	16,394	15,350
Costs of acquisition and integration	Consolidated statement of comprehensive income	7,972	2,650
Amortisation and impairment of intangible assets	Consolidated statement of comprehensive income	13,688	8,808
Depreciation – property, plant and equipment	Note 13	11,661	8,983
Depreciation – right of use assets	Note 12	10,473	8,402
Non-controlling interest	Consolidated statement of comprehensive income	67	85
Bank charges	Note 6	(520)	(552)
COVID-19 government subsidies claimed	Consolidated statement of comprehensive income	–	(9,231)
Adjusted operating costs		(90,014)	(67,595)
Adjusted operating costs as a % of revenue		17.6%	18.1%

Adjusted operating profit

The Adjusted operating profit consists of the Operating profit as reported in the Consolidated statement of comprehensive income, adjusted for share-based payments expense, costs of acquisition and integration, and amortisation 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		2021 €'000	2020 €'000
Operating profit	Consolidated statement of comprehensive income	50,365	41,119
Share-based payments expense	Consolidated statement of comprehensive income	16,394	15,350
Costs of acquisition and integration	Consolidated statement of comprehensive income	7,972	2,650
Amortisation and impairment of intangible assets	Consolidated statement of comprehensive income	13,688	8,808
Investment income	Consolidated statement of comprehensive income	–	(1,437)
COVID-19 government subsidies claimed	Consolidated statement of comprehensive income	–	(9,231)
Adjusted operating profit		88,419	57,259
Adjusted operating profit as a % of revenue		17.3%	15.3%

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		2021 €'000	2020 €'000
Operating profit	Consolidated statement of comprehensive income	50,365	41,119
Amortisation and impairment of intangible assets	Consolidated statement of comprehensive income	13,688	8,808
Depreciation – property plant and equipment	Note 13	11,661	8,983
Depreciation – right of use assets	Note 12	10,473	8,402
Bank charges	Note 6	(520)	(552)
EBITDA		85,667	66,760

Adjusted EBITDA

Adjusted EBITDA comprises EBITDA, adjusted for share-based payments expense, costs of acquisition and integration and non-controlling interest. In order to present the measure consistently year-on-year, the impact of investment income and COVID-19 government subsidies claimed are also excluded.

Calculation		2021 €'000	2020 €'000
EBITDA	As above	85,667	66,760
Share-based payments expense	Consolidated statement of comprehensive income	16,394	15,350
Costs of acquisition and integration	Consolidated statement of comprehensive income	7,972	2,650
Non-controlling interest	Consolidated statement of comprehensive income	67	85
Investment income	Consolidated statement of comprehensive income	–	(1,437)
COVID-19 government subsidies claimed	Consolidated statement of comprehensive income	–	(9,231)
Adjusted EBITDA		110,100	74,177
Adjusted EBITDA as a % of revenue		21.5%	19.9%

Adjusted profit before tax

Adjusted profit before tax comprises Profit before taxation as reported in the Consolidated statement of comprehensive income, adjusted for share-based payments expense, costs of acquisition and integration, amortisation 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		2021 €'000	2020 €'000
Profit before taxation	Consolidated statement of comprehensive income	47,983	32,494
Share-based payments expense	Consolidated statement of comprehensive income	16,394	15,350
Costs of acquisition and integration	Consolidated statement of comprehensive income	7,972	2,650
Amortisation and impairment of intangible assets	Consolidated statement of comprehensive income	13,688	8,808
Non-controlling interest	Consolidated statement of comprehensive income	67	85
Foreign exchange (gain)/loss	Note 6	(1,983)	6,103
Unwinding of discounted liabilities – deferred consideration	Note 6	1,882	132
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		86,003	54,954
Adjusted profit before tax as a % of revenue		16.8%	14.7%

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		2021 €'000	2020 €'000
Adjusted profit before tax	As above	86,003	54,954
Taxation	Consolidated statement of comprehensive income	13,875	11,027
Effective tax rate before tax on adjusting items	Taxation/Adjusted profit before tax	16.1%	20.1%
Tax arising on bridging items to Adjusted profit before tax^		4,729	785
Adjusted taxation		18,604	11,812
Adjusted effective tax rate	Adjusted taxation/Adjusted profit before tax	21.6%	21.5%

^ Being mainly the tax impact of share-based payments expense €2.8m, amortisation of intangible assets €2.1m, less foreign exchange €0.2m, with the prior year being mainly the tax impact of amortisation of intangible assets €1.8m, foreign exchange €1.2m, share-based payments expense €0.7m, less COVID-19 government subsidies claimed €2.6m and investment income €0.3m.

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		2021 €'000	2020 €'000
Adjusted profit before tax	As above	86,003	54,954
Taxation	Consolidated statement of comprehensive income	(13,875)	(11,027)
Tax arising on bridging items to Adjusted profit before tax^		(4,729)	(785)
Adjusted profit after tax		67,399	43,142
Denominator (weighted average number of equity shares)	Note 8	75,526,296	70,800,455
		€ cent	€ cent
Adjusted earnings per share		89.24	60.93
Adjusted earnings per share % growth		46.5%	24.9%

^ Being mainly the tax impact of share-based payments expense €2.8m, amortisation of intangible assets €2.1m, less foreign exchange €0.2m, with the prior year being mainly the tax impact of amortisation of intangible assets €1.8m, foreign exchange €1.2m, share-based payments expense €0.7m, less COVID-19 government subsidies claimed €2.6m and investment income €0.3m.

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		2021 €'000	2020 €'000
Adjusted profit before tax	As above	86,003	54,954
Interest received	Note 6	(62)	(76)
Bank charges	Note 6	520	552
Interest expense	Note 6	1,040	1,071
Unwinding of discounted liabilities – lease liabilities	Note 6	985	843
Pre-acquisition profits of current year acquisitions	Note 27	2,573	9,399
Adjusted profit before tax including pre-acquisition profit and excluding net interest		91,059	66,743
Total equity	Consolidated statement of financial position	472,120	371,235
Employee defined benefit plans	Consolidated statement of financial position	3,088	2,693
Cumulative amortisation of intangibles assets (customer relationships)	Note 11	40,708	25,178
Deferred and contingent consideration	Note 17	54,142	20,802
Loans and borrowings	Note 18	129	195
Cash and cash equivalents	Consolidated statement of financial position	(105,710)	(103,070)
Capital employed		464,477	317,033
Return on capital employed	Adjusted profit before tax including pre-acquisition profit and excluding net interest expense/capital employed	19.6%	21.1%

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		2021 €'000	2020 €'000
Net cash generated by/(used in) operating activities	Consolidated statement of cash flows	90,545	76,420
Acquisition and integration cash outlay:			
Costs of acquisition and integration	Consolidated statement of comprehensive income	7,972	2,650
Fair value adjustments to contingent consideration	Consolidated statement of cash flows	(5,567)	66
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	(19,360)	(13,908)
Investment in intangible assets	Consolidated statement of cash flows	(315)	(259)
Investment income	Consolidated statement of comprehensive income	–	(1,437)
Interest received	Consolidated statement of cash flows	62	76
Interest paid	Consolidated statement of cash flows	(2,738)	(1,722)
Payments of principal on lease liabilities	Consolidated statement of cash flows	(9,953)	(8,170)
Free cash flow after tax		60,646	53,282
Taxation paid	Consolidated statement of cash flows	23,948	4,459
Free cash flow before tax		84,594	57,741

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		2021 €'000	2020 €'000
Free cash flow before tax	As above	84,594	57,741
Capital expenditure in excess of depreciation:			
Acquisition of property, plant and equipment	Consolidated statement of cash flows	19,360	13,908
Depreciation – property, plant and equipment	Consolidated statement of cash flows	(11,661)	(8,983)
Capital expenditure in excess of depreciation		7,699	4,925
COVID-19 government subsidies claimed	Consolidated statement of comprehensive income	–	(9,231)
Adjusted free cash flow		92,293	53,435

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		2021 €'000	2020 €'000
Adjusted free cash flow	As above	92,293	53,435
Adjusted profit before tax	As above	86,003	54,954
Adjusted cash conversion ratio	Free cash flow before tax and capital expenditure in excess of depreciation, as a % of Adjusted profit before tax	107.3%	97.2%

Net debt

The Group manages capital by monitoring debt to capital and net debt ratios. Net debt is calculated as Loans and borrowings (as shown in the Consolidated statement of financial position) less Cash and cash equivalents, and excludes Lease liabilities.

Calculation		2021 €'000	2020 €'000
Loans and borrowings	Note 18	129	195
Cash and cash equivalents	Consolidated statement of financial position	(105,710)	(103,070)
Net debt/(net cash) position		(105,581)	(102,875)

KEY DISCLAIMERS

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This report contains "forward-looking statements" with respect to the Group's financial condition, results of operations and businesses and certain of the Group's plans and objectives. In particular, such forward-looking statements include, but are not limited to, statements with respect to: expectations regarding the Group's financial condition or results of operations and the guidance for a financial year; the Group's sustainable business strategy and targets; expectations for the Group's future performance generally; expectations regarding the operating environment and market conditions and trends, including customers, new game launches and next generation consoles, adjacent markets, games-as-a-service, competitive position and macroeconomic pressures, price trends, commercial momentum and opportunities in specific geographic markets; expectations regarding the integration or performance of current and future investments and newly acquired businesses. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "will", "anticipates", "could", "may", "should", "expects", "believes", "estimates", "intends", "plans" "projects" or "targets" (in each case including in their negative form or other variations or their comparable terminology). By their nature, forward-looking statements include matters that are not historical facts and are inherently predictive, speculative and involve risk and uncertainty because they relate to events, and depend on circumstances, that may or may not occur in the future. No reliance whatsoever should be placed on any forward-looking statements.

There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following: changes in economic, financial, political and regulatory conditions; factors that contribute to uncertainty and volatility, including natural and man-made disasters, civil unrest, pandemics (e.g. the coronavirus (COVID-19) pandemic (the "COVID-19 pandemic")) and geopolitical uncertainty; the ability of the Group to successfully recover from a disaster, force majeure event or other business continuity problem including, but not limited to, due to a hurricane, flood, earthquake, terrorist attack, war, pandemic, security breach, cyber-attack, insider threats or supplier breach, power loss, telecommunications failure or other natural or man-made event; any governmental or other third party policies or actions to maintain the functioning of national or global economies and markets; changes to legal, regulatory and tax environments; increased competition; the Group's ability to generate and grow revenue; slower than expected customer growth, reduced customer retention, reductions or changes in customer spending and increased pricing pressure; the Group's ability to attract and retain talent and wage inflation; the Group's ability to realise expected benefits or synergies from acquisitions; acquisitions and divestments of Group businesses and assets and the pursuit of new, unexpected strategic opportunities; the Group's ability to integrate acquired business or assets; the extent of any future write-downs or impairment charges on the Group's assets, or restructuring charges incurred as a result of an acquisition or disposition; developments in the Group's financial condition, earnings and distributable funds and other factors that the Board takes into account in determining the level of dividends; the Group's ability to satisfy working capital requirements; and changes in foreign exchange rates.

COMPANY INFORMATION

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