MULTI-AWARD-WINNING GAME DEVELOPMENT SOLUTIONS

SUMO

SUMO GROUP PLC ANNUAL REPORT & ACCOUNTS 2018

WE ARE
ENTERTAINMENT

SUMO GROUP

REALISING OUR VISION

Our aim is to become a global leader in premium development and creative services to the video game and wider entertainment industries.

Carl Cavers
Chief Executive Officer

TO CREATE
GROUND-BREAKING GAMES
Read more on page 10

TO BUILD A
GLOBAL BUSINESS
Read more on page 12

TO MAINTAIN A STRONG
COMPANY CULTURE
Read more on page 16

Our first full year as a quoted company was a period of substantial growth and delivery.

Ken Beaty
Chairman

FINANCIAL HIGHLIGHTS

Revenue

£38.7m (2017: £28.6m) +35.3.%

Gross profit

£18.4m (2017: £13.3m) +38.9%

Adjusted EBITDA*

£10.4m (2017: £8.4m) +24.6%

Contracted or near contracted revenue**

88%
(2017: 76%)

Gross margin

47.6%
(2017: 46.4%)

Net cash

£3.7m
2018

£12.4m
2017

* Adjusted EBITDA, which is defined as profit before finance costs, tax, depreciation, amortisation, exceptional items, share-based payment charge, customer revenue included within finance income, accrued royalty not yet received and contingent on future sales and the investment in co-funded games expensed, is a non-GAAP metric used by management and is not an IFRS disclosure.
** As at April 2019.

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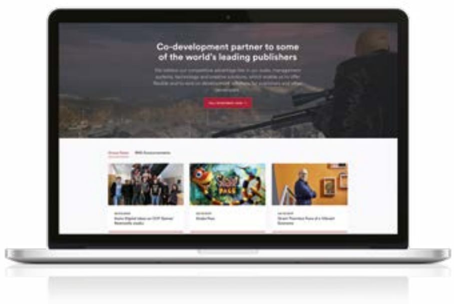


View more on our website
www.sumogroupplc.com

COMPLETE **END-TO-END** GAMING SOLUTIONS

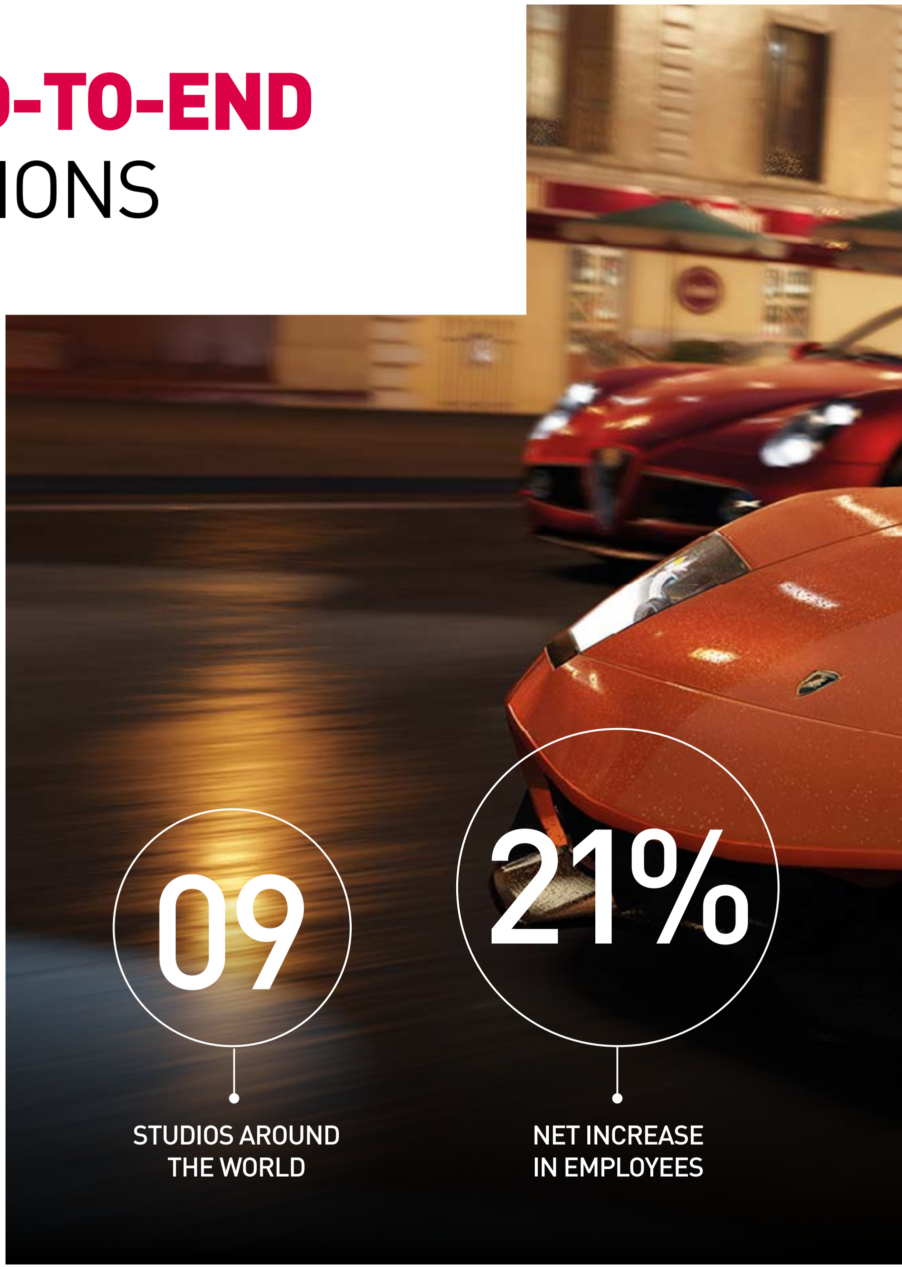
Sumo Group is one of Europe's largest providers of creative and development services to the video games and entertainment industries, now operating from nine studios across the globe.

The Group offers end-to-end services from visual concept design and pre-production through to development, user-interface design, marketing and post-release support, from its two operating businesses. Sumo Digital, c. 95% of revenue, has six studios in creative hotspots across the UK and one in Pune, India. Atomhawk, which was acquired in June 2017, operates from two studios in the UK and Canada.

Our competitive advantage lies in our scale, systems, creative and visual solutions and technology, which enable us to deliver flexible, end-to-end co-development and turnkey solutions for publishers and other developers.

Games announced or launched in 2018/19:

- **Hitman 2 for IO**
- **Crackdown 3 for Microsoft**
- **Team Sonic Racing for SEGA**



OUR FIRST FULL YEAR AS A QUOTED COMPANY

A year of substantial growth and delivery

January 2018
Took on CCP Games Newcastle Studio bringing 34 people to the Group

February 2018
Atomhawk expands with move to larger premises in Vancouver

March 2018
Sumo Digital's Sheffield studios refurbished with further expansion planned in 2019

May 2018
Team Sonic Racing for SEGA announced (launch in May 2019)

June 2018
Sumo Digital celebrates 15th birthday

August 2018
Acquisition of The Chinese Room (see page 19)

At Gamescom Team Sonic Racing received the Best Casual Game award and Jessica Gaskell was awarded Games Dev Heroes Winner for production

SUMO GROUP

SUMO DIGITAL

ATOMHAWK

STUDIOS

- SHEFFIELD
- PUNE
- NOTTINGHAM
- NEWCASTLE
- LEAMINGTON SPA

The Chinese Room

RED KITE GAMES

Concept art • Consultation • World building • Environment design

Level creation • Development • Story telling • Sound design

Interface creation • Intellectual property • Multi-platform functionality

Character creation • Testing • Publishing • Marketing

Product design • Strategy & implementation

September 2018
Board strengthened with appointment of Andrea Dunstan as Non-Executive Director (see page 36)

November 2018
Hitman 2 for IO launched

December 2018
Staff numbers reach 592 increasing by over 100 in 2018

Sumo Group named SME of the Year at the Yorkshire Business Awards

January 2019
Acquisition of Red Kite

February 2019
Crackdown 3 for Microsoft launched

March 2019
Apple Arcade announced

March 2019
Opening of Leamington Spa Studio

April 2019
Appointment of Paul Porter, one of Sumo Digital's co-founders, to the Sumo Group Board as Chief Operating Officer

INVESTING IN PEOPLE FOR FUTURE GROWTH

Ken Beaty
Chairman

OUR FIRST YEAR ON AIM
2018 Highlights

Strong performance driven fundamentally by organic growth

61%

More than 61% of our people are participating in either the Sumo LTIP or Share Incentive Plan.

9

The Group now operates from nine studios across the globe, with two added in the year and two post year end.

21%

The overall headcount has grown by 21% with 14% being from organic growth. At the year end the Group had 592 people, an increase of over 100 on the previous year.

I am pleased to report that 2018, our first full year as a quoted company, was a period of substantial growth and delivery for Sumo Group. The Group's shares were admitted to AIM on 21 December 2017 and, in the financial year ended 31 December 2018, we successfully delivered on all of the strategic objectives set out in our Admission Document.

Deliver and expand

The Group has grown substantially, generating revenue and profitability in the year ended 31 December 2018 slightly ahead of market forecasts. This strong performance is largely driven by our talented and dedicated people, who continue to provide exceptional creativity and service and a high level of expertise. It has been particularly pleasing to see many of our people begin to invest in the Company's new share incentive plans, which were launched in July 2018 to give colleagues the opportunity to participate in the success of our business. Overall, more than 61% of our colleagues are participating either in the Sumo Group plc Long Term Incentive Plan or the Share Incentive Plan.

Our ability to attract and retain the best talent in the industry is crucial to the Group's success and is a primary area of focus for the business. We delivered nearly 14% organic growth in overall headcount in 2018. The expansion of the Group continues and our talent pool has been strengthened further with hires in the new financial year.

New strategic partners

As well as strengthening our excellent existing client relationships, one of our key aims is to broaden the growth opportunities available to the Group by winning new clients.

We secured several new contracts in the final weeks of 2018, to which we referred in our Trading Update issued on 21 January 2019. While we are unable to disclose full details, two of these contracts are with Apple, a new client for Sumo Group, for the development of games for its Apple Arcade subscription service.

Acquire complementary revenue streams

In addition to organic growth, we strengthened the Group's talent base further through acquisitions and other means. Sumo Digital took on the former CCP Games studio in Newcastle on 1 January 2018, bringing 34 new people to the Group. In August 2018, we acquired The Chinese Room in Brighton. In January 2019, we completed the purchase of Red Kite Games in Huddersfield. Both the Newcastle and Brighton studios expanded during the year and we are confident that Red Kite Games will also grow successfully.

Atomhawk, our multi-award-winning visual design company acquired in June 2017, continues to perform well and we are reaping the benefits of having premium creative art services available for both external and intra-group customers.

Develop valuable own intellectual property ("own-IP")

Shortly after our IPO, we established an IP Creation Committee, which includes our Non-Executive Director and industry guru Ian Livingstone. This committee meets regularly to review ideas emerging from our Game Jams process, as well as ideas produced by Sumo Digital's concept team and those emanating from our newly acquired businesses.

ACQUISITION OF RED KITE GAMES

Red Kite Games is primarily a work-for-hire studio, providing game development services and code solutions to the video games industry.

Its talented and highly experienced development team works with some of the industry's best-known publishers and developers, most recently:

- Codemasters on DiRT 4
- Sony Computer Entertainment on God of War III
- Remastered and Activision on Call of Duty: Strike Team

What this brings to Sumo:

- Increased capacity
- Access to a new talent pool in West Yorkshire

Sumo Digital has worked successfully with Red Kite for several years, collaborating on a range of titles.

We are very much looking forward to being part of Sumo Group. Sumo Digital is such an exciting business, working on incredible projects. Being part of a creative, ambitious and supportive Group, which is delivering great results, will present new opportunities and new challenges to Red Kite. We have exciting plans for the studio and believe that Sumo Group will help us to achieve our full potential.

Simon Iwaniszak
Studio Director of Red Kite

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Established by ex-Rockstar Games developer Simon Iwaniszak in 2012, the business operates from a single studio in Huddersfield, West Yorkshire, employing 27 people.

The Group's ability to generate own-IP opportunities is strengthening. Our new relationship with Apple is for the development of a Sumo Game Jam concept, with the working title of "Spyder". Our acquisition of The Chinese Room added two original concepts to the Group's IP portfolio. With the additional necessary investment provided by Sumo Digital, one of these concepts, Little Orpheus, is also being developed with Apple.

We continue to view monetisation of our own-IP portfolio as an important driver of future growth and profitability of the Group.

Board and governance

The Board has continued to develop its governance structures and processes throughout the year. In September 2018, we confirmed our adoption of the Quoted Companies Alliance updated Corporate Governance Code and set out in detail how we comply. The full statement covering this is available on the Company's website and is in the Corporate Governance section of this Annual Report.

The Board was strengthened further in the same month by the appointment of Andrea Dunstan as a new Non-Executive Director. Andrea has brought additional and valuable HR and remuneration experience to the Group and has been appointed Chair of the Board's Remuneration Committee.

On 9 April 2019 we announced the appointment of Paul Porter to the Board of Sumo Group plc as Chief Operating Officer. Paul is one of the co-founders of Sumo Digital and has been Managing Director of that business since IPO. I am confident Paul will make a significant and valuable contribution both to the Board and the Group in his new role.

As a Board, we believe it is important to keep our own performance under review. The outcomes of an evaluation assessment carried out in November 2018 are in the Corporate Governance section of this Annual Report.

Ken Beaty
Chairman

Snake Pass (top) released in 2017 generated a return on investment of circa 130%.

DELIVERING **VALUE** FOR STAKEHOLDERS

HOW WE DELIVERED ON THE STRATEGY

Deliver and expand

- Revenue growth of over 35% in the year
- Headcount increased by 21%
- Continued development of franchise titles
- Further development of downloadable content, managing online communities (collectively referred to as 'Games as a Service') and generating royalties, where our interests are clearly aligned with our clients

New strategic partners

- Contracts secured with new clients
- Two own-IP games being developed with Apple – a new customer
- We plan to continue to win new clients through the expansion of our publisher portfolio, collaborating with other developers and extending our co-development relationships, and through selective acquisitions

New revenue streams

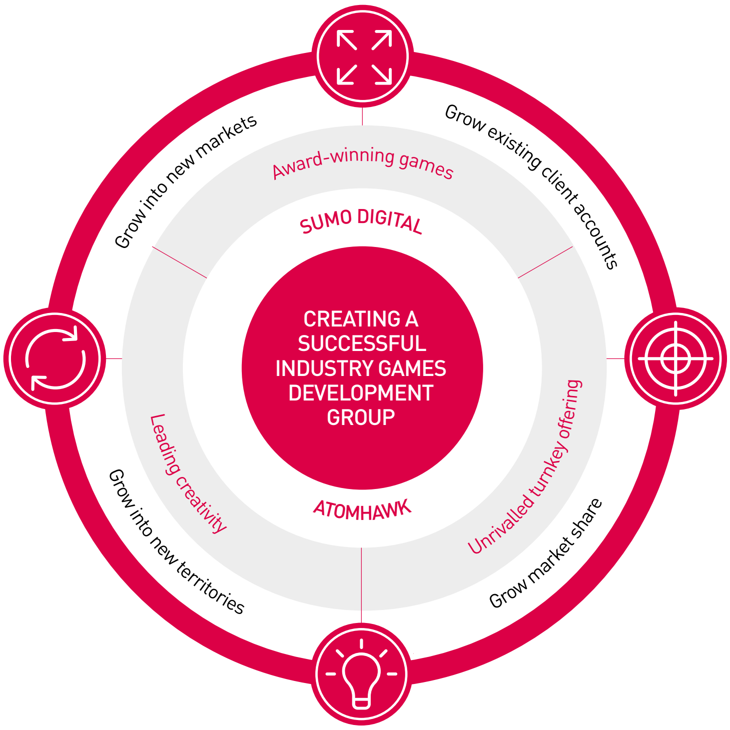
- Took on the Newcastle Studio of CCP Games
- Acquisition of The Chinese Room in Brighton
- Post year end, acquisition of Red Kite Games
- Atomhawk, acquired in 2017, is performing well and the Group is benefiting from its premium creative art services
- We continue to develop complementary revenue streams through moving into new premium services, possibly through acquisition

Develop valuable own-IP

- The two new contracts with Apple are for the development of a Sumo Game Jam concept, with the working title of "Spyder" and one of The Chinese Room's original concepts, "Little Orpheus"
- In addition, The Chinese Room added a further original concept to the Group's intellectual property portfolio
- The monetisation of our own intellectual property ("own-IP") portfolio is an important driver of future growth and profitability of the Group
- We plan to release at least one self-funded own-IP title in 2019

To see how we performed during the year see the Chairman's statement on pages 04 to 05.

A MODEL FOR LOW RISK GROWTH



GROWTH DRIVERS

Continued expansion of our market with global games projected to grow from $135 billion in 2018 to $174 billion in 2021

Market

- The average gamer is 34 years old
- 45% of gamers in 2018 were female
- The continuing development of Games As A Service
- The rapid growth of e-sports estimated to be growing at up to 40% per annum is set to become a $1 billion industry in its own right in 2019

Environment

- Incentives such as Video Games Tax Relief reduce the cost and risk of development
- The UK games sector has a long-standing heritage and continues to be a major force in the global games market
- UK universities currently offer 255 gaming related courses

Technology

- Demand for new cloud-based subscription platform content supported by recent announcements from the world's biggest publishers, including Microsoft's Project xCloud, Google's Stadia and Apple Arcade
- Mobile and tablet devices: ubiquitous, running console-quality games
- Sumo is next generation ready
- PC gaming growing: new content delivery platforms from powerful organisations, including Stream, Epic Games Store and Discord
- Console market estimated to grow 15% year on year

Sumo Group has a relatively low risk, high visibility business model, which generates both cash and sustainable profit margins.

Our strategy is to deliver and expand; to win new clients; to add complementary revenue streams; and to develop our own-IP. We believe that our competitive advantage lies in our scale, management systems, technology, creative and visual solutions, which enable us to offer flexible, end-to-end co-development and turnkey solutions for publishers and other developers.

Sumo Group is committed to its relatively low risk business model. It does not take significant principal risk on game development and the majority of Group revenues are generated through low risk **game development (turnkey or co-dev)** for a publisher.

Games derived from Sumo Group's own-IP offer a stronger potential return on investment but have a higher principal risk. If a concept is for a relatively small game (c.£1m in cost), we will take principal risk and fund the project in full, either self-publishing, as we did with Snake Pass, or using an external publisher. The Group derives a small percentage of its revenues through **own-IP game development.**

As our talent pool grows, we are generating more own-IP opportunities, including concepts which lend themselves to larger, more complex game development. In this scenario external funding is provided by a publisher for all or part of the development costs for the game. This approach will enable us to generate returns which best reflect the value of the concept whilst minimising principal risk through **Sumo concept creation, developed in partnership with a third party.**

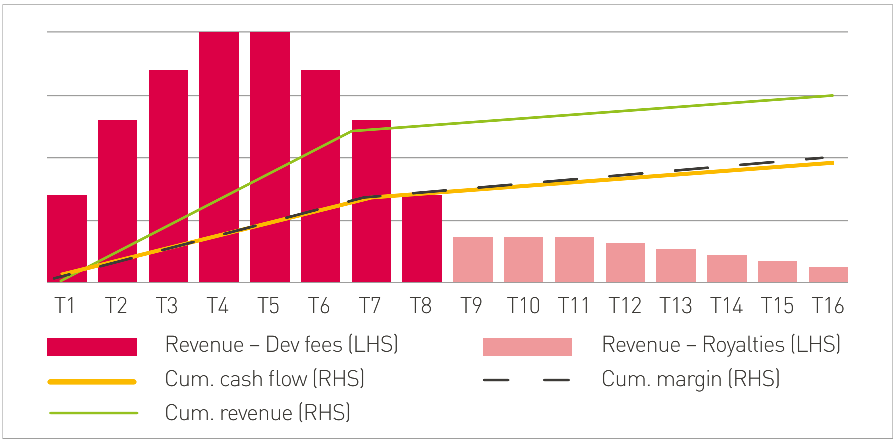
Below is a summary of how each contract type works. On pages 08 to 09 you will find the full illustrative examples:

			New
Contract type	**Game development (turnkey or co-dev)**	**Own-IP**	**Original concept creation developed in partnership with a third party**
Funding	Publisher	Sumo or third party	Co-funded with or fully funded by partner
Ownership	Publisher	Sumo	Publisher (Sumo may retain legal ownership)
Payment Model	Milestone payments plus royalties as earned	Game sale revenues or guaranteed royalty (if funded by a third party)	Milestones and royalties
Accounting	Development fees recognised using estimate of contract margin & percentage of completion Royalties earned subject to IFRS 15 recognition principles Development costs expensed as incurred	Recognise revenue as earned or guaranteed royalties as contractual obligation triggered Capitalise development costs as intangible asset with regular impairment reviews (IAS 38)	Development fees as for game development contract Sumo investment expensed as incurred

How we maintain a low risk business model while capitalising on our growing own-IP opportunities.

The following case studies illustrate typical scenarios and are not designed to refer to any specific contracts.

CASE STUDY A – GAME DEVELOPMENT (TURNKEY OR CO-DEV)



2018 Key Metrics

Number of live contracts (31 Dec 18)	9
Development revenue	£31.2m
Royalty revenue	£0.8m
Accrued revenue → Billed revenue (31 Dec 18)*	£11.0m

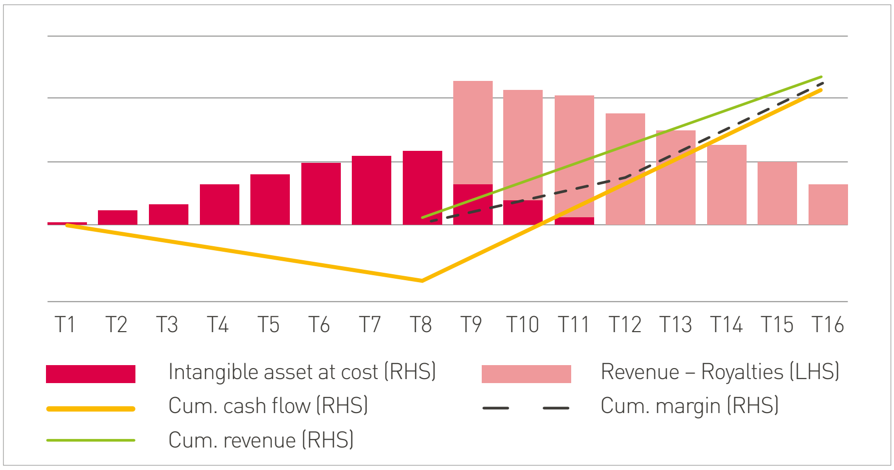
T=period of time (e.g. one quarter/three months)

GOOD DEVELOPMENT MARGIN, LOW DEVELOPMENT RISK, SOME POTENTIAL UPSIDE POST LAUNCH

- A client generally originates the game concept and retains control of the IP at all times
- Sumo engages with the client to develop the game to an agreed specification and Sumo accrues a right to payment for development work as it is performed. Agreed revenue for this single Performance Obligation to the client may contain elements which are fixed or variable
- Fixed development revenues are recognised using judgement and estimates on the overall development phase contract margin and percentage of contract completion at each period end
  - Cash receipts from publishers are non-refundable and scheduled broadly to follow the expected percentage of game completion
  - As a result, there is minimal balance sheet exposure from accrued revenues at any given time*
- Variable consideration, typically in the form of royalty receipts are recognised as revenue only when it is highly probable they will be received:
  - Sumo's share of game sales in the form of royalties varies, depending on contractual terms and ultimately depend on the game's success
  - The timing of royalty receipts is dependent on the publisher's launch date
- Development costs are expensed as incurred

* There is one contract in 2018 where cash receipts are contractually guaranteed following the game's launch.

CASE STUDY B – OWN-IP



2018 Key Metrics

Number of live development projects (31 Dec 18)	1
Number of launched revenue generating titles (31 Dec 18)	2
Own - IP revenue	£0.4m
Intangible asset value (31 Dec 18)	£0.2m

T=period of time (e.g. one quarter/three months)

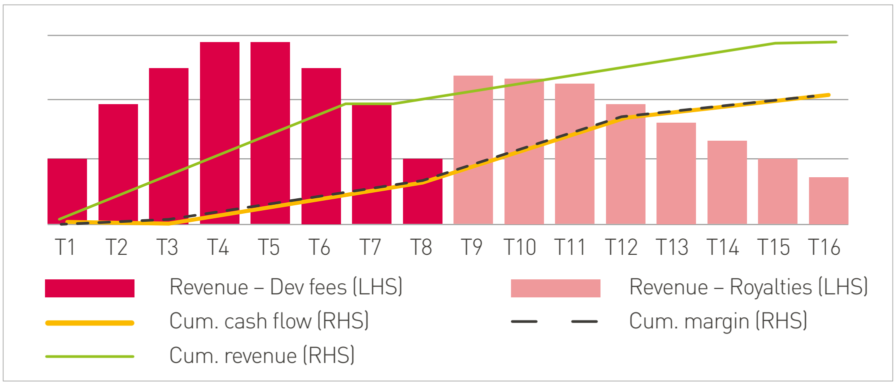
CASE STUDY B – OWN-IP CONTINUED
NO DEVELOPMENT MARGIN, HIGHER DEVELOPMENT RISK, STRONG POTENTIAL RETURN ON INVESTMENT

- Where Sumo has created its own concept and IP it may choose to self-fund a game's development
- Sumo develops the game concept ready for launch using its own resources and retains control over the developed IP at all times
- This would typically happen on smaller games (c.£1.0m in cost), such as Snake Pass, launched in March 2017
- During the development phase, no development revenue is recognised. Sumo capitalises its development costs as an intangible asset with regular impairment reviews in accordance with IAS 38
- Once the game is completed and launched, Sumo recognises game revenues as they are earned. The intangible asset is amortised as the game generates revenues and is subject to review for impairment at all times

Or

- Sumo may choose to use a third party to publish the game, transferring control of the developed IP to a third party publisher in exchange for consideration which may be fixed or variable
- Typically, such contracts include fixed guaranteed royalties from the publisher which would be recognised at the point at which the game is handed over to the publisher
- In this scenario the intangible asset would be derecognised at the point the game is handed over to the publisher
- Variable revenues are recognised in accordance with client sales after launch

CASE STUDY C – ORIGINAL CONCEPT CREATION DEVELOPED IN PARTNERSHIP WITH THIRD PARTY



2018 Key Metrics

Number of live contracts (31 Dec 18)	
Fully funded	3
Partially funded	2
Development revenue	£3.6m
Royalty revenue	£nil
Sumo investment in development expensed	£0.2m

T=period of time (e.g. one quarter/three months)

LOWER DEVELOPMENT MARGIN, LOW DEVELOPMENT RISK, STRONG POTENTIAL RETURN ON INVESTMENT

- Some of Sumo's concept creations may have the potential to be developed into larger, more complex games
- Sumo engages with the chosen development partner ("the client") to fully fund or co-fund the development of the game to an agreed specification and Sumo accrues the right to payment for development work as it is performed
- Agreed revenue for this single Performance Obligation to the client may contain elements which are fixed or variable
  - Fixed development revenues are recognised using judgement and estimates on the overall development phase contract margin and percentage of contract completion at each period end
  - Variable consideration, typically in the form of royalty receipts are recognised as revenue only when it is highly probable they will be received
  - Development costs are recognised as incurred
- Partial funding
  - When a publisher is partially funding a game, contract margins during the development phase may be lower than those in a non own-IP game development contract, as the Group's investment in the game's development is expensed as incurred
  - In this scenario, any investment by Sumo in developing game IP would typically result in the receipt of a greater share of game royalties, reflecting the Group's share of the risk and reward of a game's development
  - Game sales in the form of royalties are recognised as revenue once it is highly probable that they will be received
- Full funding
  - Contract margins during the development phase should be consistent with Case Study A. The Group's share of game royalties would typically be higher than in Case Study A, to reflect the investment in concept creation, albeit overall game royalties ultimately depend on the game's retail success

£34.8m of the Group's £37.2m revenue from video games is related to development contracts similar to the illustrative case studies A and C.

TO CREATE GROUND-BREAKING GAMES

Our businesses have long-standing, close relationships with most of the world's largest computer games publishers, developers, platform manufacturers and entertainment brands, including Microsoft, Sony, SEGA, Warner Brothers and Marvel. Together we have worked on some of the biggest franchises in the entertainment industry, such as Avengers, Mortal Kombat, Hitman, Sonic All-Stars and Harry Potter.

In 2018 and early 2019, three of Sumo Digital's major projects were announced or officially launched by clients:

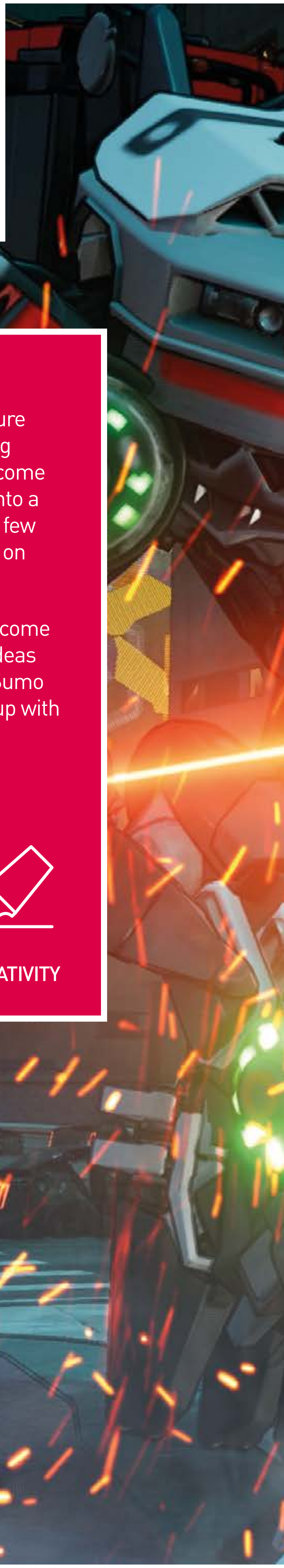
- Hitman 2 for IO
- Crackdown 3 for Microsoft
- Team Sonic Racing for SEGA

The Group signed four new major projects in the last few weeks of 2018, two of which are for Apple Arcade.

Following the resounding success of Snake Pass, published in 2017, we have been actively generating new game concepts to develop our own-IP further. Opportunities are generated from three primary sources: Game Jams, which we are now running across most of the Group, our Concept Team and via acquisitions such as The Chinese Room.

Our new relationship with Apple is for the development of a Sumo Game Jam concept, with the working title of "Spyder". Our acquisition of The Chinese Room added two original concepts to the Group's IP portfolio. With the additional necessary investment provided by Sumo Digital, one of these concepts, Little Orpheus, is also being developed with Apple.

Ken Beaty
Chairman



GAME JAMS

Game Jam is a platform created to nurture the creative ideas of our people and bring them to fruition. Held quarterly, people come together for a day to develop their idea into a rudimentary game. Games are judged a few weeks later and then all staff get to vote on their favourite.

It's possible for a Game Jam game to become a project with a dedicated team. Some ideas like Snake Pass, are fully developed by Sumo and others, like "Spyder", we will team up with a third party, in this case Apple.

WHAT DO GAME JAMS BRING TO THE SUMO GROUP?

IDEAS

COLLABORATION

CREATIVITY

PUSHING THE BOUNDARIES

At Gamescom 2018, Team Sonic Racing received the Best Casual Game award.

Atomhawk won Best Art Supplier at TIGA 2018.

> Throughout 2018, Sumo Digital continued to work with some of the world's largest and most exciting video game publishers.
>
> **Carl Cavers**
> Chief Executive Officer

SERVICING CLIENTS GLOBALLY

Microsoft Studios
Turn 10
CCP
Deep Silver
SEGA
Focus Home Interactive
IOI
Curve Digital
NetherRealm
WB Games
Zynga
2K
EA

Clients in 2018:

- Sumo Digital
- Atomhawk
- Both Sumo Digital and Atomhawk

TO BUILD
A GLOBAL BUSINESS

MARKETS THAT CONTINUE TO STRENGTHEN

Our market is strong and growing, with the global games market estimated to be $134.9bn and growing year on year at around 10.9%. The latest quarterly update of the Global Games Market Report forecast that 2.3bn gamers worldwide would spend $134.9bn on games in 2018 and the market would grow to $174bn by 2021. In the UK, it is believed that video games development contributed £1.5bn towards GDP.

See the CEO report on pages 18 to 21 for more details.

We have added four new studios and plan to continue the expansion in the coming year:

- **Newcastle (CCP) – see case study on page 21**
- **Brighton – The Chinese Room – see case study on page 19**
- **Huddersfield – Red Kite – see case study on page 05**
- **Leamington Spa – opened in March to focus on mobile game development**

Vancouver, Canada

Sheffield

Nottingham

DEVELOPMENTS IN THE MARKET

- Microsoft announced Project xCloud, its "Netflix for games" video gaming streaming service on any device
- Google has announced Stadia, its cloud-based system
- Apple introduces Apple Arcade – the world's first game subscription service for mobile, desktop and the living room
- e-sports continues to expand with growth estimated at 40% pa

Newcastle

LOCATED IN NINE STUDIOS IN THREE COUNTRIES

650*

talented people in the UK, Canada and India

* At 31 March 2019.

In December, Sumo Group was named SME of the Year at the Yorkshire Business Awards 2018.

Pune, India

DRIVEN BY OUR PEOPLE

Sumo is a people business and our team is highly talented and creative.

Sumo offers the opportunity to work on many platforms and in many genres of games using a variety of technologies. We are committed to maintaining the Group's creative culture as we grow. Exceptional talent drives opportunities.

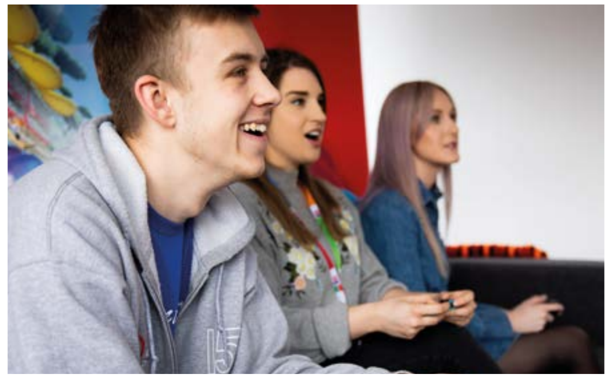
AWARDS

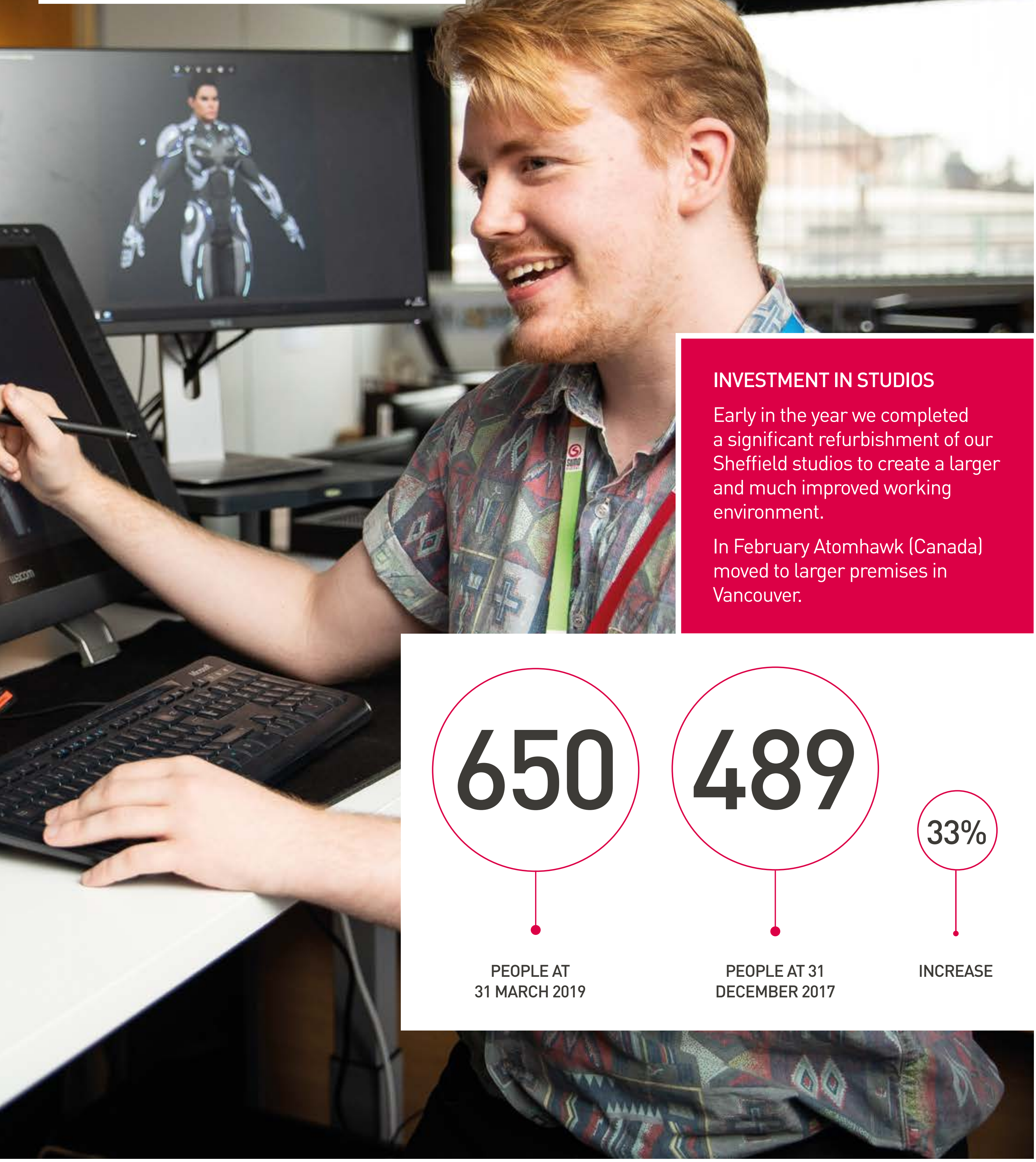
Jessica Gaskell (below), one of our producers, was awarded the Game Dev Heroes Winner – Production. Other members of our team received nominations for numerous awards, including Games Dev Heroes, Woman In Games and GI.Biz 100 Future Talent List.

> We are committed to maintaining Sumo Group's creative and inclusive culture as we grow. Exceptional talent drives growth.
>
> **Carl Cavers**
> Chief Executive Officer

ATTRACTING THE BEST TALENT

The appointment of Andrea Dunstan as a Non-Executive Director brings additional and valuable HR and remuneration experience to the Group.





INVESTMENT IN STUDIOS

Early in the year we completed a significant refurbishment of our Sheffield studios to create a larger and much improved working environment.

In February Atomhawk (Canada) moved to larger premises in Vancouver.

650	489	33%
PEOPLE AT 31 MARCH 2019	PEOPLE AT 31 DECEMBER 2017	INCREASE

TO MAINTAIN A STRONG COMPANY CULTURE

Interview with Paul Porter, Chief Operating Officer.

Paul Porter is one of the co-founders of Sumo Digital. When the business was established in 2003, the team totalled just eight people. Today, the Group employs 650 and operates from nine studios across the globe. Paul, who was previously Managing Director of Sumo Digital, was appointed Chief Operating Officer of Sumo Group plc on 1 April and joined the Board on 9 April. He has more than 25 years' experience in the video games industry, having previously been Studio Head at Infogrames Sheffield and the Head of Core Technology at Gremlin Interactive.

Q What is your role at Sumo and how is that role changing?

A Until recently, I was focused on the day to day running of Sumo Digital, managing the growth and development of our established studios, bedding in newly acquired businesses, looking after commercial contracts, overseeing business development, marketing and driving IP development... and everything in between. As COO, I will have a more strategic focus on the Group's growth plans and operations across Sumo Group. Sumo Digital has a great new MD in Gary Dunn, who has been with the business since October 2017.

The creation of the new COO role has expanded the management team's capacity, which is essential for managing and continuing the Group's rapid growth.

Q How do you work with clients at Sumo Digital?

A People often assume that we are a "work for hire" studio, just focusing on delivering other publishers' IP and creative ideas. Our people are extremely creative, and we use these talents every day, so we still have plenty of creative input. For example, we often take a publisher-owned franchise and re-establish it. Sometimes we create new concepts or ideas and partner with publishers to bring them to market. Other times we undertake co-dev where we provide services which lead to further creative collaboration.

We have deep, long-standing relationships with many clients, who not only value but frequently rely on our creative talents. For example, we worked closely with Media Molecule on the Littlebigplanet franchise, creating DLC for Littlebigplanet 2 and providing technical support for Littlebigplanet VITA. As we got to really understand the IP, this gave Sony and Media Molecule the confidence that we could take the creative lead on Littlebigplanet 3 with creative check-ins at key stages. Our relationship was strong and they trusted us to deliver a game of outstanding quality and appeal.

Q So how does Sumo encourage creativity?

A People who work at Sumo put their heart and soul into developing outstanding experiences because they are passionate about creating the best games on the market. All we do is strive to provide them with everything they need to enable them to do that great work. And, we actively encourage all colleagues to take ownership of the projects on which they are working. We also give people the time to think creatively and bring their own ideas to the table.

Q What are Game Jams and how important are they to the Group?

A Game Jam is a platform that we created to nurture the creative ideas of our people and bring them to fruition. We aim to hold the Jams quarterly, when people come together for the day and pick their own teams to help them develop their idea into a rudimentary game. A few weeks later, we hold a judging day, when those teams regroup to play each other's games. And then all staff get to vote on their favourite. It's possible for a Game Jam game to become a project with a dedicated team, where the idea is developed further.

Sometimes we have more than one great idea. Some ideas, like Snake Pass, we fully develop and own in their entirety. On others, like "Spyder", we will team up with a third party, in this case Apple.

I am delighted that we are working on two own-concept games, "Spyder" and Little Orpheus for Apple Arcade, Apple's recently announced gaming subscription service. "Spyder" was a Game Jam winner and Little Orpheus was an idea originally created by The Chinese Room, a company we acquired in August last year.

Q Why do the industry's most creative people and the world's largest publishers want to work with Sumo Group?

A There is huge demand for talented people in the industry as more people are playing games than ever before. I think people choose to work with us because we give them the space and environment to do what they love. Our track record for attracting incredible talent through acquisition is also pleasing. It shows that people like the way we work and do business and want to be part of a successful group. Talented people want to work with successful businesses, working on exciting projects.

I think clients want to work with us because we have a plethora of technical IP, we have a collaborative and open approach and they trust us to deliver the best creative content whilst finding solutions to the challenges that go with bringing amazing games to market.

I think people choose to work with us because we give them the space and environment to do what they love.

Paul Porter
Chief Operating Officer

POSITIONED TO DELIVER ON OUR STRATEGY

Carl Cavers
Chief Executive Officer

Introduction

Our first full year as a plc was another successful and highly productive one for the Group. Sumo is a people business and we continue to grow rapidly; since IPO we have increased our headcount overall by 33%. At the year end we had 592 people (2017: 489) working in seven studios (2017: five) in three countries. Shortly after the year end, we acquired Red Kite Games, a work-for-hire studio in Huddersfield employing 27 people focused on engineering and code support services. Sumo Digital has recently opened a new studio in Leamington Spa to focus on mobile game development, which takes us to nine studios.

Our market is strong and growing and our relatively low risk, high visibility business model generates both cash and sustainable profit margins. In 2018, three of our major projects were announced or officially launched by clients: Hitman 2 for IO Interactive, Crackdown 3 for Microsoft and Team Sonic Racing for SEGA. In the last few weeks of the financial year, we agreed terms or signed contracts on four new major projects. These give us excellent contracted or near contracted visibility on 88.7% of our budgeted development fees for Sumo Digital for 2019.

A challenge we face in presenting our business to the outside world is the stringent confidentiality requirements placed on us by our clients, confidentiality which they value highly. As much as we want to tell our investors about all the exciting games on which we are working, we are generally unable to do so. The announcement of such games is, rightly, in the hands of the publisher and I look forward to updating investors on new clients and games as projects progress. We are now able to publicise that we are developing two games for Apple's recently announced subscription gaming service, Apple Arcade. Shortly before this announcement, Google also announced a new cloud-gaming service, Stadia. These major announcements are indicative of the positive backdrop for content developers in our market.

Our business model remains relatively low risk. The Group is generally not directly exposed to the commercial success of a game but can benefit from upside opportunity where there are royalties in place. We are, however, generating new opportunities to accelerate the Group's growth and increase our margins through the development of own-IP games, either self-funded or co-funded, and through acquisition. The Group also benefits from being able to reuse its own tools and technology and having a significant presence in India, which provides a lower cost base.

Concept creation

The development of our own-IP is an important part of our strategy. We launched our own game, Snake Pass, in March 2017. The development cost was relatively low and the game was a great success, generating a return on investment of circa 130% to the end of 2018, and sales continue. Our people are highly talented and creative and, whilst our primary focus is on developing clients' IP, we are generating some outstanding game ideas of our own. We encourage creativity and will continue to develop the best game ideas to generate financial returns, but without taking undue risk.

Concepts are created from three main sources: from Game Jams, which we are now running across most of the Group; from our concept team; and from acquisitions, for example The Chinese Room. The ideas generated are rigorously tested both internally and externally and we are highly selective in deciding which concepts are worthy of investment and further development. If a concept is for a relatively small game, we will consider funding the project in full and then either self-publishing, as we did with Snake Pass, or using an external publisher to leverage greater sales opportunities. For larger projects, we are now looking to obtain external funding from a publisher for the majority or all of the cost, thereby keeping our risk appropriately low while also looking to generate higher returns through royalties which reflect the value of the original concept creation. Our contracts with Apple for Little Orpheus and "Spyder" are excellent examples of this and the accounting treatment of these new types of project is considered in the Business Model, on pages 6 to 9.

Results

I'm delighted with the continuing growth of the Group. In the year ended 31 December 2018, revenue rose by 35.3% to £38.7m (2017: £28.6m). These figures exclude £9.3m of pass-through revenue in 2018 (2017: £2.0m) on which Sumo Digital does not make a margin. The underlying revenue for 2018 adjusted for the impact of the adoption of IFRS 15 was £38.9m, representing an increase of 35.9% on the figure of £28.6m in 2017. This was driven by continuing strong organic growth at Sumo Digital and the first full year of ownership of Atomhawk, which contributed revenue of £2.7m in the year. Development fees for the year were

ACQUISITION OF THE CHINESE ROOM

The Chinese Room, an award-winning independent game development studio in Brighton, was acquired in August 2018. It is best known for creating experimental first-person games such as Dear Esther, Amnesia: A Machine for Pigs, Everybody's Gone to the Rapture and, most recently, So Let Us Melt.

The business was founded in 2010 and named after John Searle's Chinese Room thought experiment. Dear Esther received several Independent Games Festival nominations and the award for Excellence in Visual Art in 2012. Dear Esther is recognised as creating a new sub-genre of gaming, the "Walking Simulator". Everybody's Gone to the Rapture, which was developed by The Chinese Room and published by Sony Computer Entertainment, won three BAFTAs amongst many other industry awards in 2015.

The Chinese Room

Games published:

Dear Esther
Amnesia: A Machine for Pigs
Everybody's Gone to the Rapture
So Let Us Melt

Multiple awards including a BAFTA for Everybody's Gone to the Rapture

What this brings to Sumo Digital:

- Accelerates our own-IP pipeline and adds new intellectual property and creative talent
- The opportunity to develop a new studio in the south of England, allowing access to a new pool of talent in a creative hot-spot
- Extends the reach and accelerates the growth of our core business

New studio location

2,700 sq ft studio in Brighton

Studio Director appointed

Recruitment underway

New talent pool in creative hotspot

Creative talent

Dr Dan Pinchbeck

£37.5m (2017: £26.4m), an increase of 41.9% on the prior year and an increase of 39.2% on a like for like basis adjusted for the effect of IFRS 15 and excluding acquisitions.

The Group achieved Adjusted EBITDA[1] of £10.4m in 2018, a substantial increase on the £8.4m reported in 2017.

Further details of the financial results, including the impact of IFRS 15, a new accounting standard for revenue, are set out in the Group Financial Review.

Operational review

Sumo Digital

In June 2018, we celebrated the 15th anniversary of Sumo Digital, the Group's largest business representing just over 95% of revenue. Sumo Digital is a developer of AAA-rated video games, providing both turnkey and co-development solutions to an international blue-chip client base. Its full-service development solution includes initial concept and pre-production, production and development and post-release support (end to end full development lifecycle for games). In 2018, the business operated from studios in Sheffield, Nottingham, Newcastle, Brighton and Pune in India. With the addition of Red Kite Games and the opening of a new studio in Leamington Spa post year end, Sumo Digital now operates from seven locations.

1 Adjusted EBITDA, which is defined as profit before finance costs, tax, depreciation, amortisation, exceptional items, share-based payment charge, customer revenue included within finance income, accrued royalty not yet received and contingent on future sales and the investment in co-funded games expensed, is a non-GAAP metric used by management and is not an IFRS disclosure.

Studios and expansion

We started 2018 by taking on the Newcastle studio of CCP Games, bringing a further 34 people to the business and an additional studio location. This studio was quickly integrated and has performed strongly under our ownership. In December, we relocated the team to the Northern Design Centre building in Gateshead where the primary Atomhawk studio is located.

In August, we acquired The Chinese Room, an award-winning independent game development studio in Brighton. The acquisition accelerated our own-IP pipeline, as well as adding new intellectual property and creative talent. The Chinese Room had two original concepts, one of which, 13th Interior, was at prototype demo stage and the other is Little Orpheus, which, following our input and investment, is now being developed for Apple Arcade. It also gave us the opportunity to develop a new studio in the South of England, allowing us to access an additional pool of talent in a creative hot-spot, extending the reach and accelerating the growth of our core business. We are very pleased with the progress and performance since acquisition. At the year end, we had a team of nine in the Brighton studio and we continue to recruit to grow this team.

On 31 January 2019, post year end, we acquired Red Kite Games, a work-for-hire studio focusing on engineering and code support services. The acquisition supports the Group's growth strategy by further increasing our capacity and enabling us to access another new talent pool in West Yorkshire. Red Kite Games operates from a single studio in Huddersfield and has a team of 27 people.

This talented and highly experienced development team works with some of the industry's best-known publishers and developers, most recently Codemasters on DiRT 4, Sony Computer Entertainment (SCE) on God of War III: Remastered and Activision on Call of Duty: Strike Team. Early indications show that this business is operating in line with expectations as part of Sumo Digital.

Sheffield continues to be our largest studio and our head office. The studio had another strong year and the team is currently working on several exciting projects, including "Spyder" for Apple Arcade. We completed a significant refurbishment programme of these premises in the first quarter of 2018 to create a larger and much improved working environment for our people. Our intention is to expand further into an adjacent unit and continue our investment in maintaining a desirable working environment.

The Nottingham studio performed well in the year. Many of our people in Nottingham were working on Team Sonic Racing. The team has also been working with CCP Games and on distributed development supporting other studios in the Group. It is a highly versatile studio and towards the end of the year started working on two new projects.

Across the four UK studios in 2018, including Brighton for part of the year, we achieved utilisation rates of circa 95%, which is in line with our targets. We consider these utilisation rates to be sustainable, having regard to levels achieved in previous years.

Sumo Digital has been operating in India for 12 years. We have established a highly skilled team at our studio in Pune which continues to perform strongly. The relatively attractive cost structure underpins our profit margins and helps us to remain competitive. We now have significant engineering talent and games designers working with the long-established art team and expect this studio to move to full game development in the future. Accordingly, we attended the India Game Development Conference at Hyderabad in December 2018. The utilisation rate at this studio increased to 92% in 2018 (2017: 90%).

Operating from multiple locations gives us the capacity to deliver our headcount growth targets and we are constantly reviewing opportunities to accelerate growth by opening studios in other strategic locations. The recent opening of the new studio in Leamington Spa, led by a highly regarded studio head, to focus on mobile game development, is yet another example of our growth strategy in action. We are considering other new locations both in the UK and abroad as well as looking at potential acquisition opportunities.

Awards

We always appreciate being recognised by our industry or outside organisations in the form of awards. At Gamescom 2018, Team Sonic Racing, which has a planned launch date of May 2019, received the Best Casual Game award. It was particularly pleasing that Jessica Gaskell, one of our producers, was awarded the Game Dev Heroes Winner – Production. Other members of our team received nominations for numerous awards, including Games Dev Heroes, Woman in Games and GamesIndustry.biz 100 Future Talent list.

In December 2018, Sumo Group was named SME of the Year at the Yorkshire Business Awards 2018.

Clients

Over the past few years, we have worked with Sony, Microsoft (including Turn 10 Studios), SEGA, Deep Silver, IO Interactive and CCP Games. Whilst constrained by client confidentiality from providing further detail until permitted, I am pleased to report that Sumo Digital continued to work with some of the largest publishers in the world during 2018 and that we were delighted to add Apple to our client list late in the year.

During the year, the shift towards more royalty arrangements as part of our contracts continued. We are always keen to align our interests with those of our clients and see the opportunity for financial out-performance on new iterations of proven games.

Atomhawk

Atomhawk performed well in the first full year of ownership. It has two studios, one in Newcastle and the other in Vancouver, where the team moved to larger premises in February 2018. The two studios work together closely and we have created an intra-company transfer scheme to promote knowledge sharing across the business.

Atomhawk provides visual development concept art and marketing art, as well as motion graphics and user interface design. Its expertise is in helping customers define a visual look for their products, from inception through development and, at the final point of sale, through marketing imagery, videos and box packaging design. The business primarily serves the creative industries, working with video games studios, as well as film and television. It has international clients across the entertainment sector. We have delivered sustained and stable growth both in terms of headcount and revenue in the year under review with senior appointments in both locations. Clients include 2K, WB Games, Microsoft and LEGO in the UK and Zynga, EA, Daybreak and Microsoft in Canada. The business has expanded its motion graphics and marketing art service lines, the latter area focusing on the retail and theme park sectors. I am pleased to report that Atomhawk won Best Art Supplier at TIGA in 2018, recognising the creative team's efforts and exceptional talent in the business.

Atomhawk continues to operate primarily with its own client base but is increasingly collaborating with Sumo Digital on projects including own-IP.

Strategy

Sumo Group's strategy remains unchanged: to deliver and expand, to win new clients, M&A, particularly with a view to add complementary revenue streams, and to develop our own-IP, both self-funded and co-funded opportunities:

- We plan to deliver and expand by developing subsequent franchise titles, by developing downloadable content, managing online communities (collectively referred to as 'Games as a Service') and generating royalties, where our interests are clearly aligned with our clients;
- We plan to win new clients through the expansion of our publisher portfolio, collaborating with other publishers and extending our co-development relationships, and through selective acquisitions;
- We seek to develop complementary revenue streams through moving into new premium services, possibly through acquisition, as we have done successfully with Atomhawk; and
- Following the highly successful release of Snake Pass in 2017, we will continue to develop our own-IP as referred to above. We plan to release at least one self-funded own-IP title in 2019.

Acquisitions

We have an interesting pipeline of acquisition opportunities ranging in activities, sizes and locations. The Group is particularly keen to acquire owner-managed businesses, where the vendors remain with the business post acquisition and where we can use our listed shares to provide suitable ongoing incentive arrangements.

People

We emphasise that Sumo Group is a people business and its continuing success is entirely dependent on recruiting and retaining talented people. I am pleased to report that, at the end of March 2019, our headcount had increased to 650, an increase of 58 from 592 at the end of December 2018. During 2018, our headcount increased by more than 100 and the year end headcount was significantly above our expectation at the start of the year. It is notable that this large increase was achieved despite our staff attrition rate in the UK rising to 13.8%. The attrition rate has now dropped significantly and we will work to maintain acceptable levels moving forward. The two principal factors behind the increased attrition were a Group-wide job levelling process, which was undertaken in the year, and, whilst we successfully transitioned most teams onto other existing or new projects, the completion of an unusually large number of major projects in the year.

We are strengthening our HR team and processes and have taken focused and planned actions to improve staff retention. Such measures include our incentive arrangements and investing in our premises to provide a high-quality working environment. Andrea Dunstan, who has a wealth of relevant people experience, joined the Board in September as a Non-Executive Director and Chair of the Remuneration Committee. I am very pleased to note that, in this short period of time, she has already made a positive impact on the business and its processes.

The Group has continued to meet challenging recruitment targets successfully over many years. Good people are in high demand and we must continue to focus on providing an attractive employment opportunity for the best. Video game developers tend to look for security of employment and interesting work. Sumo does offer the opportunity to work on many platforms and in many genres of games using various technologies. We recruit at all levels of experience and have strong relationships with universities both in the UK and abroad. We also benefit from recruiting in many locations with significant talent pools.

Of the four original founders of Sumo Digital, three remain with the business: Darren Mills, Studio Director of Sheffield, myself as CEO and Paul Porter. Paul was appointed Chief Operating Officer of Sumo Group on 9 April 2019 and joins the Board with effect from today. He was previously Managing Director of Sumo Digital.

I am delighted that Paul is taking on this important new role and welcome him to the Board.

I am also pleased that Gary Dunn has taken on Paul's previous role as Managing Director of Sumo Digital. Gary has impressed the Board considerably since he joined the Sumo Digital team as Portfolio Director in October 2017, demonstrating excellent leadership, growing successful teams and managing projects from concept to launch. We welcome him to his new role and look forward to his continuing contribution.

We are committed to maintaining Sumo Group's creative culture as we grow. Exceptional talent drives opportunity and, on behalf of the Board, I would like to thank everyone at Sumo Group for their passion, commitment and desire to create outstanding games and imagery.

The market

Our market is strong and growing. In a recent GamesIndustry.biz article the value of the global games market was estimated to be $134.9bn using data from Newzoo. The market value was further analysed as $63.2bn for Mobile, $38.3bn for Console and $33.4bn for PC. Year on year growth rates of these three segments were estimated to be 12.8%, 15.2% and 3.2% respectively, giving an overall market growth of 10.9%. The latest quarterly update of the Global Games Market Report forecast that 2.3bn gamers worldwide would spend $134.9bn on games in 2018 and that the market will grow by c.30% to $174bn by 2021.

The UK is an important part of the global video games market and the market is a very important one for the UK. The TIGA Business Opinion Survey 2019 reported that video games development contributed nearly £1.5bn towards UK GDP in the year to November 2017 and an estimated £613m in direct and indirect tax revenue to the Exchequer. TIGA estimates that 37,536 people in the UK work directly or indirectly for the video games industry, including 13,277 people in games development.

UK operators are positive about the market opportunity and the future. In the TIGA survey, it was reported that 77% of operators planned to expand their workforce in 2019 and 52% of respondents said the outlook for investment in their business was more optimistic than 12 months earlier, despite the uncertainty surrounding Brexit.

There are several very interesting trends developing in the market, including the move to streaming, the rapid growth of e-sports and the continuing development of Games as a Service ("GAAS").

Recently, Microsoft CEO Satya Nadella briefed journalists at an invitational editors' meeting at Microsoft's headquarters on what they describe as "Netflix for games". He discussed Microsoft's move to video game streaming with Project xCloud, where a gamer can play high-quality, blockbuster games on any device with the game being powered by a remote computer. On 19 March 2019, Google announced Stadia, its cloud-based system able to run on PC, mobile, tablet and TV. On 25 March 2019, Apple announced Apple Arcade, and we are delighted to be developing two games for this subscription service. These are very significant steps for the streaming of video games.

e-sports continues to grow rapidly. Recently GamesIndustry.biz reported that this sector is estimated to be growing at up to 40% per annum. Total prize money awarded for e-sports tournaments in 2018 was $140m. Global e-sports revenues are expected to grow to $1bn for 2019.

These trends underpin the drive for high quality games, which supports Sumo Group's business model and growth strategy. The opportunities for our business are further strengthened by the ongoing move towards GAAS, in which developers or publishers engage with players over a protracted period following the release of a game providing downloadable content and other ongoing services. The Group is well positioned to benefit from the changes in a very dynamic market.

Outlook

With the video games market forecast by Newzoo to grow c.30% in the next three years, driven by demand for new cloud-based subscription platform content supported by the world's biggest publishers, we believe that the outlook for Sumo Group is as good as ever. We are successfully attracting major new global publishers, as well as strengthening our relationships with existing and previous clients, and our business development pipeline remains very healthy.

The challenge for the business is the acquisition of talent to support and deliver on these significant growth opportunities. Our quest to attract talented people to the business, both organically and through acquisition, is delivering results and we will maintain a keen focus on this aspect of the business in 2019. Having successfully acquired Red Kite Games at the beginning of the new financial year, we are continuing to explore further interesting acquisition opportunities.

We have had a positive start to the new financial year and have an unusually high degree of earnings visibility with around 88% of Sumo Digital's forecast 2019 development fees being already contracted or near contracted. Current trading is in line with the management's expectations and I remain confident that the business will continue to deliver in 2019 and beyond.

Carl Cavers
Chief Executive Officer

SUMO NEWCASTLE STUDIO

In January 2018 Sumo Digital took on the Newcastle studio of CCP Games, bringing a further 34 people to the business and an additional studio location.

How it's been integrated:

- Quickly integrated
- Performed well
- Relocated to the Northern Design Centre building in Gateshead where the primary Atomhawk studio is located

34

Team growth of 34 and new location added

> In the last few weeks of the financial year, we agreed terms or signed contracts on four new major projects. These give us unprecedented contracted or near contracted visibility on 88% of our budgeted development fees for Sumo Digital for 2019.
>
> **Carl Cavers**
> Chief Executive Officer

FINANCIAL SUCCESS A YEAR ON

David Wilton
Chief Financial Officer

These financial statements cover the financial year ended 31 December 2018, the first full year of Sumo Group as an AIM quoted company, following the IPO in December 2017.

Results overview

The underlying trading of the Group was strong in the year under review. Statutory revenue for the year was £38.7m (2017: £28.6m). Our revenue figures are now stated excluding pass-through revenues upon which Sumo does not make a margin and the 2017 comparative figures have been restated accordingly. Pass-through revenue in 2018 was £9.3m (2017: £2.0m). These figures reflect continuing strong organic growth at Sumo Digital and the first full year of the ownership of Atomhawk, which contributed £2.7m and £0.7m of revenue and EBITDA respectively. The 2018 figures also include four and a half months of ownership of The Chinese Room which performed ahead of expectations by breaking even on revenue of £0.3m. The like for like increase in adjusted revenue[1], excluding the effect of acquisitions, was £8.6m, an increase on the prior year of 31.6%.

Adjusted EBITDA was £10.4m. This was significantly ahead of the Adjusted EBITDA in 2017 of £8.4m, an increase of 24.6% and slightly ahead of the Board's expectations.

1 The adjustment to revenue is to include £0.4m of customer revenue included within finance income, and exclude £0.2m of accrued royalty income not yet received and contingent on future sales, following the adoption of IFRS 15.

	Audited 2018 £'000	Audited Restated[2] 2017 £'000	Increase/ (decrease) £'000
Revenue	**38,696**	28,591	10,105
Gross profit	**18,403**	13,252	5,151
Gross margin	**47.6%**	46.4%	–
Adjusted EBITDA[3]	**10,407**	8,356	2,051
Loss before tax	**(483)**	(27,973)	27,490
Exceptional items and amortisation charges	**(7,041)**	(30,282)	23,241
Adjustments[3]	**(2,957)**	–	(2,957)
Cash flow from operations	**(6,363)**	3,252	(9,615)

2 2017 comparative restated for pass-through revenues and costs upon which Sumo does not make a margin. During the year the directors reassessed their accounting treatment for certain 'pass-through' costs which are recharged at nil margin and concluded that it would be appropriate for these costs to be netted against recharged income. This change in presentation reduced revenue and direct costs for the year ended 31 December 2017 by £2m but had no impact upon gross profit, earnings or financial position.

3 Adjusted EBITDA, which is defined as profit before finance costs, tax, depreciation, amortisation, exceptional items, share-based payment charge, customer revenue included within finance income, accrued royalty not yet received and contingent on future sales and the investment in co-funded games expensed, is a non-GAAP metric used by management and is not an IFRS disclosure.

The underlying adjusted profit before share-based payments charge, adjustment for customer revenue included within finance income, investment in co-funded games expensed, exceptional items, amortisation of customer contracts and relationships for the year was £9.0m (2017: £7.5m also adjusted for net finance costs relating to pre-IPO financial structure), and reported loss before tax was £0.5m (2017: £28.0m) as set out in note 29. The reported loss before tax is stated after, inter alia, the non-cash amortisation charge of £6.9m.

The net cash outflow for the year was £8.6m which was in line with our expectations at the start of the year. Cash balances at the year end were £3.7m (2017: £12.4m).

The audited results are the first prepared having adopted IFRS 15: Revenue from Contracts with Customers. In the Annual Report 2017, the Board stated that it did not expect the adoption of IFRS 15 to have a material impact on the financial information of the Group in the period of initial application. In our Half Year Results 2018, we referred to changed terms on one contract, which has unusual payment terms. Under IFRS 15, there were adjustments in the period under review of £0.2m and £0.3m to revenue and interest income respectively, relating to this contract, and there will be further adjustments in 2019. The adjustment to revenue of £0.2m comprises two separate amounts: £0.4m adjustment to development fees relating to the funding income on the project and £0.2m recognition of variable consideration on future royalty income. Further details are set out in note 27.

KEY PERFORMANCE INDICATORS

Gross margin

47.6%

2017: 46.4%

Adjusted EBITDA[3]

£10.4m

2017: £8.4m

Operating cash flow

£(6.4)m

2017: £3.3m inflow

RECONCILIATION TO UNAUDITED UNDERLYING INCOME STATEMENT

	Reported 2018 £'000	Revenue margin adjustments[6] £'000	Adjustments[4] £'000	**Unaudited underlying 2018 £'000**	Reported 2017 £'000	Adjustments[5] £'000	Unaudited underlying 2017 £'000
Revenue	**38,696**	171	–	**38,867**	28,591		28,591
Gross profit	**18,403**	171	208	**18,782**	13,252	–	13,252
Operating expenses excluding depreciation, amortisation, share-based payments charge, exceptional items, the impact of IFRS adoption and investment in co-funded games expensed	**(7,996)**	(171)	(208)	**(8,375)**	(4,896)	–	(4,896)
Adjusted EBITDA	**10,407**	–	–	**10,407**	8,356	–	8,356
Depreciation	**(1,104)**	–	–	**(1,104)**	(669)		(669)
Net finance costs	**212**	(309)	–	**(97)**	(5,378)	5,378	–
Customer revenue included within finance income	**(421)**	421	–	–	–	–	–
Accrued royalty not yet received and contingent on future sales	**250**	(250)	–	–	–	–	–
Investment in co-funded games expensed	**(208)**	208	–	–	–	–	–
Amortisation of software	**(163)**	–	–	**(163)**	(162)	–	(162)
Adjusted profit before tax, share-based payment charge, exceptional items and amortisation of customer contracts and customer relationships	**8,973**			**9,043**	2,147		7,525
Operating expenses – exceptional	**(94)**				(2,656)		
Share-based payments charge	**(2,578)**				–		
Amortisation of customer contracts and relationships	**(6,784)**				(27,464)		
Loss before taxation	**(483)**				(27,973)		

4 The adjustment in 2018 in respect of gross margin is in relation to Sumo's investment in co-funded games, which for statutory purposes is expensed.

5 The adjustment in 2017 in respect of interest cost is to reflect the ungeared structure of the Group following the IPO in December 2017.

6 The revenue margin adjustments are made up of customer revenue included within finance income, accrued royalty income not yet received and contingent on future sales, investment in co-funded games expensed and net financing costs.

As our talent pool grows, the Group is generating more own-IP opportunities, including concepts which lend themselves to larger, more complex game development. We remain committed to our relatively low risk model, however, and, as such, we will not take significant principal risk. Towards the end of 2018, we began work on a new type of co-development contract, under which external funding is provided by a publisher for all or the majority of the development costs for a game, the concept of which was created by Sumo Group. This new approach will enable us to generate returns which best reflect the value of a Sumo Group concept, whilst keeping principal risk relatively low. Two such contracts were signed in the latter stages of 2018, for projects on which the publishers will pay for the majority of the development costs, in exchange for the right to access or use economic benefits of the IP created, and Sumo Group will fund a smaller proportion of the costs. The revenue and profit are recognised on the development fees payable by the publisher during the term of the contract but the costs incurred by Sumo Group are expensed. During 2018, the costs incurred on these two projects amounted to £0.2m in aggregate. The equivalent costs to be incurred in 2019 will be larger.

During the year the Group incurred £0.1m of transaction costs on the acquisition of The Chinese Room.

The Board believes that it is helpful to include alternative performance measures which exclude certain non-cash charges and are adjusted for the three matters referred to above to present the underlying results of the Group. These measures are reconciled to the income statement in note 29.

The non-cash charges included in the Group's results relate to the amortisation of goodwill and to share-based payments. The other three adjustments are firstly for the financing of the one contract under IFRS 15, secondly for the costs expensed on the development of the two games referred to above and thirdly the transaction costs on the acquisition of The Chinese Room.

To assist the understanding of how IFRS 15 applies to the three different types of contract presently being undertaken by Sumo, illustrative case studies are set out on the Business Model pages 08 to 09.

Trading

Development fees for the year were £37.5m, an increase of 41.9% on the £26.4m in 2017. Atomhawk, which was acquired on 29 June 2017, contributed revenue of £2.7m in the year (2017: £1.3m in the period post acquisition). The Chinese Room, which was acquired on 13 August 2018, contributed £0.3m of revenue in the year. On a like for like basis the Group's development fees, adjusted for the effect of IFRS 15, increased by 39.2%.

The Group generated own-IP title revenue of £0.4m (2017: £1.7m). Royalty income was £0.8m (2017: £0.5m). Both these revenue figures are in line with the Board's expectations. The own-IP revenue is generated from the ongoing sales of Snake Pass which was launched in March 2017. The royalty income now includes an amount of £0.2m in recognition of variable consideration under IFRS 15 which is future royalty income expected to be received in 2019.

Statutory gross profit for the year was £18.4m, an increase of 38.9% on the £13.3m in the prior year.

Gross margin adjusted for IFRS 15 and excluding royalties was 47.6% (2017: 45.4%).

Operating expenses for the year were £19.1m (2017: £35.8m). Included within operating expenses were amortisation and depreciation of £6.9m and £1.1m respectively (2017: £27.6m and £0.7m respectively).

The non-cash amortisation charge is explained below. The overall increase in operating expenses excluding amortisation and depreciation was primarily due to investment in people and systems, the inclusion of a full year of Atomhawk and increased premises costs on the newly acquired leasehold units in Sheffield. The Group spent £0.6m on research and development, all of which has been expensed.

One of the core reasons why the Group became a public listed company was to use its quoted shares to incentivise our people. The Sumo Group plc Long Term Incentive Plan and the Sumo Group plc Share Incentive Plan were launched in March 2018 and July 2018 respectively. There is a non-cash charge under IFRS 2 of £2.6m in 2018 to reflect the cost of these plans.

The net finance income for the year was £0.2m (2017: net finance cost of £5.4m). The Group had no borrowings during the period and the net finance income consists of the IFRS 15 financing income referred to above partially offset by the bank commitment fee payable.

The Corporation Tax credit for the year was £0.2m (2017: £4.5m credit). Further information regarding taxation is set out in note 11.

Profit margins

Statutory gross margin for the year was 47.6% (2017: 46.4%). These margins reflect the royalty income of £0.8m (2017: £0.5m) in the year which flows directly through to gross profit. The gross margin adjusted for IFRS 15 adoption impact, investment in co-funded games expensed and excluding royalties was 47.6% (2017: 45.4%).

Adjusted EBITDA margin was 26.8% (2017: 29.2%). The reduction in EBITDA margin was expected as we invest in the platform to support future growth.

The gross margin is underpinned by the high levels of, and rapidly increasing, demand for premium development and creative services to the video game and wider entertainment industries combined with the Group's delivery and cost model. In particular, Sumo Group benefits from its core technology which enables accelerated prototyping, the efficiency and de-risking of the development phase and optimising development through the use of proven technology. The Group also operates from relatively low-cost locations, notably in India.

The adjusted EBITDA margin for 2018 reflects the significant investment in the year in the Group's overhead base to provide a strong platform to support long-term growth.

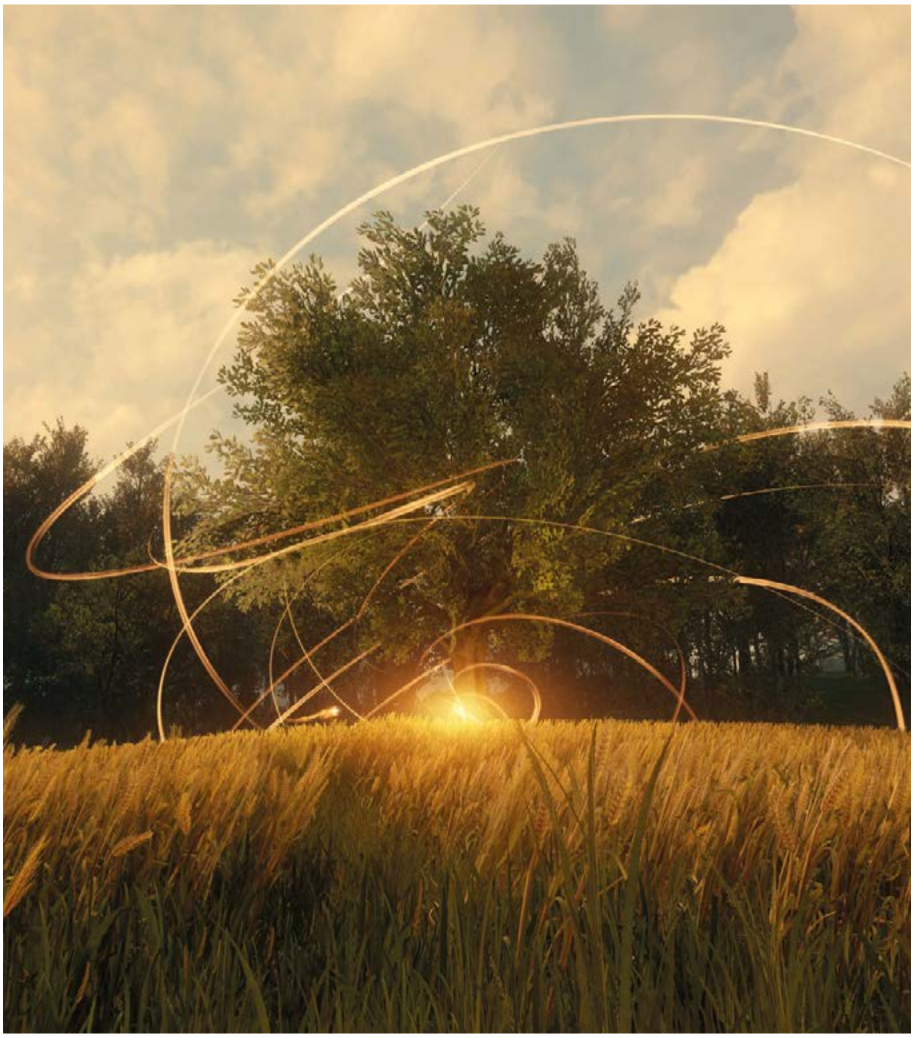
Client concentration

During 2018 there were four major clients that individually accounted for at least 10% of total revenues (2017: three clients). In aggregate, these four clients accounted for 65.9% of total revenue and the top three accounted for 52.5%.

Due to the nature of Sumo Group's market and the services provided the Group will always serve a relatively small number of clients at any given time, usually on major long-term contracts. The Group has strong relationships with its clients, some of whom have been very long-standing strategic partners. Over time, our client concentration has reduced and it is likely to continue to do so. Several contracts secured in the final weeks of 2018 are with significant clients with whom the Group has not worked before, including Apple.

Video Games Tax Relief (VGTR)

Sumo Digital continues to claim and receive significant amounts under VGTR. We include VGTR within our direct costs and accordingly, for both years, our gross profit and gross margin reflect these amounts. We believe this is the appropriate treatment of these credits, as gross margin is best considered after taking account of the effect of VGTR. The amounts included for 2017 and 2018 are £8.3m and £6.9m respectively.



Shortly before our IPO in December 2017, we made due diligence enquiries into the status of VGTR. These enquiries indicated ongoing cross-party support for the measure. A British Film Institute report published in October 2018 showed that in 2016 the total development spend in the video games sector was £1.25bn, of which £390m accessed VGTR and that VGTR supported spending generated £294m of direct gross value added. For every £1 spend, the UK has seen an additional £4 of gross value added and, according to the BFI, it has generated around 9,170 full-time equivalent roles. In 2017, the EU Commission announced that the VGTR scheme would continue until at least 2023. It is worth noting that similar schemes are in place in many other countries, notably Canada, the US, and France, some of which are at higher rates than in the UK. It is reported that Germany, the Republic of Ireland and Poland are considering introducing similar incentive schemes.

In a recent survey by TIGA, respondents referred to the need to make the UK's Video Games Tax Relief more internationally competitive when asked about obstacles to growth in the sector.

Treatment of acquisition and IPO costs

The net consideration of £0.6m paid for the acquisition of The Chinese Room has been capitalised and goodwill and other intangibles of £0.6m are carried on the balance sheet as at 31 December 2018. £0.1m of transaction costs were charged through the income statement and are treated as an adjustment in the calculation of Adjusted EBITDA.

In the previous year, transaction costs were incurred in a number of areas in relation to the IPO and raising of new financing. The accounting treatment is governed by IFRS 3. Accordingly, £1.9m and £2.5m of transaction costs were charged to equity and through the income statement respectively in that year. Transaction costs of £0.2m were charged through the income statement for the acquisition of Atomhawk.

> The Board expects the Group to be significantly cash generative in 2019.
>
> **David Wilton**
> Chief Financial Officer

Cash flow

As expected, net outflow of cash from operating activities was £6.4m (2017: cash inflow £3.3m). The principal factors behind the cash outflow for the year were:

- the payment in 2018 of fees of £1.7m arising on the December 2017 IPO;
- the timing of VGTR receipts; and
- the timing of milestone receipts, in particular on one contract in which the cash is receivable after the game is released. This contract is the one referred to above regarding IFRS 15. It accounted for £5.7m of the increase in working capital and arose primarily due to the payment terms on this one contract whereby, for commercially attractive terms, the Group is financing an element of development combined with the timing of milestone receipts. The increase in working capital on this particular contract is expected to reverse in 2019.

Capital expenditure in the year was £2.2m (2017: £1.7m), most of which related to either the refitting of the premises in Sheffield, which was ongoing over the 2017 year end, or the purchase of IT equipment and systems.

The cash cost of the acquisition of The Chinese Room was £1.6m and it had cash balances of £1.6m at the date of acquisition.

The Board expects the Group to be significantly cash generative in 2019.

Cash balances at 31 December 2018 were £3.7m (31 December 2017: £12.4m).

Cash balances at 31 December 2018

£3.7m

(31 December 2017: £12.4m)

Balance sheet

Goodwill and other intangibles reduced by £5.8m to £22.4m. The reduction reflects the residual non-cash goodwill and amortisation charge of £6.9m, following from the decision taken in the previous year to review the policy for historical intangible assets in respect of client contracts and client relationship intangible assets arising from the acquisition by Perwyn in September 2016. Following the review, these intangible assets were valued by reference to the specific time period for each of the client contracts in place at September 2016 and an assessment of the appropriate time period for the client relationship from that date, which we now consider to be two years. We also took account of changes in the scope of the client contracts and client relationships. These amendments constituted a change in accounting estimate, and the effect is to amortise the historical intangible assets arising on the September 2016 change of ownership over a shorter period. The accelerated amortisation charge arose in the nine months up to September 2018, being the date of the second anniversary of the Perwyn transaction. The reduction in the intangible asset was partly offset by the increase in other intangibles arising from the acquisition of The Chinese Room in the period.

Current assets were £28.9m (31 December 2017: £23.8m). Trade and other receivables were £25.2m (31 December 2017: £11.4m). The increase of £13.8m in trade receivables is primarily due to the contract with unusual payment terms which represented £5.7m of the movement.

Cash balances at 31 December 2018 were £3.7m (31 December 2017: £12.4m). The Group has a £13m revolving credit facilities agreement with Clydesdale Bank plc. Interest is payable on amounts drawn down at the rate of one and a half to two percent above LIBOR and the term of the agreement is five years from 15 December 2017. As at the date of these financial statements, this facility remains undrawn.

Trade and other payables reduced by £1.1m to £11.0m at 31 December 2018.

The consolidated balance sheet at 31 December 2018 includes own shares of £4.9m which relates to shares issued under the terms of the Sumo Group plc Long Term Incentive Plan.

Foreign currency

Until recently, virtually all the Group's contracts have been denominated in pounds sterling. Atomhawk has generated revenues in foreign currency, primarily US dollars. Costs are incurred in India in local currency.

Two development contracts signed in late 2018 are denominated in US dollars, hence Sumo will have relatively significant revenues in that currency. It is Sumo Group's policy to hedge such revenues to protect the Group from fluctuations in exchange rates and the forecast revenue receipts on these two contracts have been hedged accordingly in 2019.

Dividend

In line with the strategy set out at the time of the flotation, the Directors intend to reinvest a significant portion of the Group's earnings to facilitate plans for future growth. Accordingly, the Directors do not propose a dividend at the present time but it remains the Board's intention, should the Group generate a sustained level of distributable profits, to consider a dividend policy in future years.

Share issues

During the year, options were granted and remain outstanding under the LTIP over an aggregate of 8,631,278 shares. 4,618,735 shares were issued on 9 March 2018 to be held in order to satisfy the element of the proposed LTIP awards which are to be held under a joint ownership arrangement. The Group also launched the Sumo Group plc Share Incentive Plan (SIP) in July 2018 and 92,287 shares were issued in 2018 under the terms of the SIP.

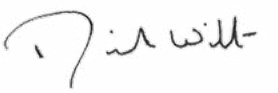
Sumo Group issued 357,485 shares to the vendors of The Chinese Room as part of the consideration upon acquisition which was announced on 14 August 2018.

Post balance sheet date events

On 1 February 2019, we announced the acquisition of Red Kite Games, a work-for-hire studio focusing on engineering and code support services. The net consideration is circa £1.5 million, as Red Kite Games has been acquired with circa £0.5 million of cash on the balance sheet. The business will continue to operate under the Red Kite Games name, as a wholly owned subsidiary of Sumo Digital.

Sumo Group has agreed to issue 1,162,791 shares to the vendors of Red Kite Games on the first anniversary of the completion as part of the acquisition consideration, which was completed on 31 January 2019.

Since the year end, options have been granted under the LTIP over 618,392 shares and 4,550 shares have been issued to date in 2019 under the terms of the SIP.



David Wilton
Chief Financial Officer

EFFECTIVELY MANAGING OUR RISKS

During the Company's first full year as a PLC, the Board has regularly reviewed and updated the Company's risk management and internal control systems. This has included discussion and review of the Group's risk register, facilitated by the Group Internal Auditor. The Board has focused on ensuring that the register reflects the structure and strategy implemented by the Group, and monitoring the implementation of mitigating activities.

The items referred to below are regarded as the key risks for the Group. These are not the only risks that might affect the Group's performance, but the Board believes that they are currently the most significant and specific to the Group's business.

Risk	Description and mitigation
STRATEGIC	**Mergers and acquisitions** **Risk and potential impacts** Acquisitions may involve unforeseen liabilities, difficulties in realising cost or revenue expectations, loss of key employees and customer relationship issues. Unanticipated operating difficulties and expenditure during integration could absorb significant financial and management resources. A poorly implemented acquisition could damage the Group's reputation, brand and financial position. **Mitigating activities** The selection of potential target companies by senior management is typically based upon a high degree of pre-existing knowledge of key individuals involved in the target. All proposed acquisitions are subject to robust due diligence work, supported by external advisers, who also advise on the detailed terms of any transaction.
	Dependence on a concentrated client base A loss, or significant reduction, in activity from one of our major clients could materially affect our ability to meet revenue and operating performance targets. In the year ended 31 December 2018, our top four clients generated the majority of revenues, contributing over 10% of total revenues each. This represents a broadening of our client base compared with the position for 2017. **Mitigating activities** Senior management actively seek to diversify our client base and in 2019 we have started working with a number of significant new clients. The milestone delivery structure of our long-term contracts allows us to identify and address any potential issues with clients promptly during the course of the contract, reducing the risk of a breakdown in relationships.
OPERATIONAL	**Ability to recruit and retain skilled personnel** The successful delivery of our strategy and achievement of our growth targets depends on our ability to recruit and retain high quality staff throughout the business. **Mitigating activities** We monitor our retention and recruitment levels on a weekly basis in line with the Group's growth targets to ensure we take swift action when targets are not met. An annual review of remuneration packages is conducted to ensure that we remain competitive within the industry. The Group has introduced an employee share plan to align the interests of the broader workforce with those of shareholders. Formal feedback channels for employees include the annual satisfaction survey, appraisal programme and during the induction and exit processes. We use the results to make changes to the way we work, improving the level of employee engagement and satisfaction.

Risk	Description and mitigation
OPERATIONAL CONTINUED	**IT security** A breach of IT security, unauthorised copying or software piracy could result in loss of business and reputational damage for the Group, as well as associated negative financial impacts to revenue and costs. **Mitigating activities** Our project work is protected by copy protection technology intended to prevent piracy. We conduct robust testing on our systems and software, including penetration testing by external consultants. The implementation of action plans that arise from the results of testing is monitored by the Board. Disaster recovery plans have been developed to ensure the business can recover from any interruptions with minimal impact.
	Stability of IT systems The Group is reliant on the continuity of our IT systems to continue to operate effectively. Prolonged disruptions may affect operational performance, and negatively impact the Group's finances and customer relations. **Mitigating activities** We have an experienced and dedicated IT team, and use external consultants where we need to, ensuring we have a good balance of skills and experience in the team. Back-up servers are used, and server disaster recovery plans are in place to provide data resilience. Infrastructure is regularly monitored and updated by the IT team. Business continuity plans are in place for our main operations, including plans being developed at a studio and project level.
BREXIT	The continued uncertainty around the potential ways the UK could leave the European Union makes it increasingly difficult to predict the potential impact on the Group. Uncertain economic conditions are likely to result in additional risk for the Group, particularly in respect of the availability of workers, foreign exchange rate fluctuations and regulatory changes. **Mitigating activities** The senior leadership team has compiled a Brexit report that outlines the Group's ongoing risk assessment and planned responses to the potential outcomes of Brexit, focusing on the riskiest "no-deal" scenario. External consultation has been sought where appropriate. The Board receives regular updates of the paper with progress against the plan of action and any changes to the perceived risks. The Group has updated its hedging policy to ensure that sufficient hedging arrangements are in place to reduce uncertainty and currency risk in our foreign currency contracts to an acceptable level. We have identified all of our employees who might be directly affected by Brexit (approximately 50) and we are providing them with information and guidance on the position as and when it is available.

The Strategic Report, which includes the Chairman's statement, the Chief Executive's review, the Group's business model and strategy, the Group financial review and the Principal risks and uncertainties, was approved by the Board and signed on its behalf by:

Carl Cavers
Chief Executive Officer
8 April 2019

GOVERNANCE OVERVIEW

The Group is committed to engaging with our shareholders to ensure that our strategy and business model are understood.

Ken Beaty
Chairman

Ken Beaty
Chairman

A YEAR OF PROGRESS
Governance highlights

Expansion of the Operating Board

The Operating Board has been a key area of progress during the year, ensuring that the "tone from the top" on matters of risk is appropriately framed, and it has recently been expanded. Details of the Operating Board can be found on pages 38 and 39.

First Board evaluation completed

The Board carried out its first performance assessment towards the end of the year. This process, and the tools used, were designed by a third party consultant with considerable experience of board reviews and tailored to the Group's specific circumstances. Details can be found on page 33.

The Board remains committed to effective corporate governance as the basis for delivering long-term value growth and for meeting shareholder expectations for proper leadership and oversight of the business. As the Chairman of the Board, I am responsible for corporate governance within the Group and the Board is committed to maintaining a sound ethical culture that feeds our risk management and decision making. We believe that having good corporate governance is the best way to pursue medium to long-term success for Sumo Group plc and our stakeholders. To this end, since our IPO in 2017, we have adopted the code published by the Quoted Companies Alliance ("QCA" code) as our benchmark for governance matters and believe that we are in full compliance at the date of this report.

My role as Chairman of the Board remains separate to, and independent of, that of the Chief Executive and we both have clearly defined responsibilities. These, along with the terms of reference for all the Committees of the Board, can be found on the Sumo Group plc Investor Relations website.

This section of the Annual Report outlines how we have applied the principles of the QCA code during our first full year as a plc. We will review and update our approach as the Group continues to grow and will update the Corporate Governance statement in the AIM rule 26 section of the Company's website.

Ken Beaty
Chairman

DELIVERING LONG-TERM GROWTH

GOVERNANCE PRINCIPLES	ACTION
PRINCIPLE 1	
Establish a strategy and business model which promote long-term value for shareholders.	Our strategy and business model are discussed in the Chief Executive's review on pages 18 to 21. The Company provides creative and development services to the video games and entertainment industries, delivering full-service visual and development solutions. We work with some of the largest video game producers in the world on long-term, high-value contracts, as well as launching our own smaller, independent games. Our growth targets will principally be achieved through: • The organic growth of our contracted development fees model • Targeted acquisitions aimed at bringing on board talent and intellectual property to grow the Sumo Group.
PRINCIPLE 2	
Seek to understand and meet shareholder needs and expectations.	The Group is committed to engaging with our shareholders to ensure that our strategy and business model are understood. The Board believes that the disclosures of this Annual Report provide the information necessary for shareholders to assess the Company's performance, business model and strategy. The Executive Directors of the Company are in frequent contact with the Company's shareholders and brief the Board on shareholder issues. In 2018 we held investor roadshows and briefings, hosted investor days at our Sheffield studios and held frequent one to one meetings with investors and potential investors. The Company's largest shareholder is Perwyn Bidco (UK) Limited. Under the terms of the Relationship Agreement entered into at the time of the Company's admission to AIM, Perwyn has nominated Ken Beaty to the Board as its nominated director and has the right for a Perwyn observer to attend Board meetings. The Chief Executive Officer and Chief Financial Officer are primarily responsible for contact with our shareholders. To request any meetings or ask questions please contact investors@sumogroupplc.com. Any reports from analysts that refer to the Company or cover the video games sector are circulated to the Board to support their understanding of the views of the investment community. Zeus as the Company's broker and Belvedere as financial PR advisers provide both attributable and anonymised feedback directly to the Board from shareholder meetings and events such as the investor day. An update on investor sentiment and shareholding changes is provided at every Board meeting. The Chairman and the other Non-Executive Directors will always make themselves available to meet shareholders. The Annual General Meeting ("AGM") is a prime opportunity for this. The Company held its first AGM in June 2018 and this acted as a forum for dialogue between the Directors and our shareholders. At the meeting, 100% of the votes cast were in favour of every resolution proposed by the Board. The business to be conducted at the AGM is set out in a separate Notice of Annual General Meeting.

GOVERNANCE PRINCIPLES	ACTION

PRINCIPLE 3

Take into account wider stakeholder and social responsibilities and their implications for long-term success.

The Board recognises that the long-term success of the Group relies on our customers and employees. Engaging with these key stakeholders strengthens our relationships and helps us make better business decisions to deliver our commitments. The Board received regular updates on wider stakeholder engagement feedback and closely monitors and reviews the results of the annual Best Company's Employee Engagement survey.

Employees
Without our dedicated and skilled employees we would not be able to operate at the level that we do, and as a result we are committed to employee engagement and making changes based on the feedback received to make Sumo Group plc a great place to work.

Employees are given many opportunities to provide feedback through our employee engagement survey, the annual appraisal process and the twice-yearly roadshows carried out by the Operating Board.

Over the past year we have:

- Introduced share plans that allow our employees to become shareholders of the business
- Invested considerable resources in our working environments, taking on board staff feedback to introduce a canteen and shared social space in Sheffield
- Started a Diversity Steering Group aimed at increasing diversity within the Company and the wider industry
- Completed our annual employee engagement survey to keep informed on the major issues that our employees want us to change
- Hosted two Company-wide roadshows with our Operating Board, giving employees the opportunity to ask questions and raise issues

Customers
The Group is in regular dialogue with existing and potential customers at all levels in order to understand and respond to their current and future requirements.

PRINCIPLE 4

Embed effective risk management, considering both opportunities and threats, throughout the organisation.

Risk
As described in the letter from the Chairman of the Audit Committee on pages 40 and 41 of these accounts, the Board is committed to ensuring that risk management is embedded within the business and is part of the way we work. This year we have sought to further embed the risk management framework adopted last year by updating the risk register and changing the way that it is communicated to and reviewed by the Board.

Internal control
The Board has ultimate responsibility for the Group's system of internal control and reviewing its effectiveness. However, there are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable and not absolute assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group. The principal elements of the Group's internal control system include:

- Close management of the day-to-day activities of the Group by the Executive Directors
- Preparation and approval of budgets and regular monitoring of actual performance against budget
- Detailed monthly reporting of performance against budget
- Continually updated profitability and cash flow forecasts to reflect actual performance and revised outlook as the year progresses
- The appointment of a Group Internal Auditor in June 2018 to establish an internal audit function within the Group focusing on risk-based audits
- Strengthened finance function that has implemented additional processes, policies and systems that enhance the financial and operational control environment
- Risk assessments on important areas such as the Criminal Finances Act
- A treasury policy that is reviewed annually by the Board
- The risk management framework referred to above

GOVERNANCE PRINCIPLES	ACTION
PRINCIPLE 5	
Maintain the board as a well-functioning, balanced team led by the Chair.	The composition of our Board is detailed on pages 36 and 37 of these accounts. Part of the role of the Board's Nomination Committee is to keep the composition of the Board under review as the Company's business evolves. In September 2018 we announced the appointment of Andrea Dunstan as an additional independent Non-Executive Director. Andrea extends the breadth of experience on the Board with her considerable HR and remuneration experience and improves the Board's diversity. The Board is satisfied that it has a suitable balance between independence and knowledge of the Company to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. The Chairman holds regular update meetings with each Director to ensure they are performing as they are required. During the year, the Board concluded an assessment of its performance and more detail is provided below.
PRINCIPLE 6	
Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.	Directors' details and biographies are on pages 36 and 37. The Board considers that they have sufficient skills and experience to execute their duties and responsibilities effectively. As discussed above, the appointment of Andrea Dunstan to the Board has enhanced our capabilities, particularly through her extensive HR and remuneration experience. As part of the Board performance assessment, each Board member provided information on their individual skills and experience in areas relevant to the Group's business. This exercise indicated a high level of capability and also provided insight on additional areas that could form part of the specification for any future appointees to the Board. The Board receives regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. All Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that the Board procedures are followed, and that applicable rules and regulations are complied with. All Directors are allowed to obtain independent advice in furtherance of their duties, if necessary, at the Company's expense. On appointment, Directors new to the Group will receive a full and tailored induction.
PRINCIPLE 7	
Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.	The Board carried out its first performance assessment towards the end of the year. This process, and the tools used, were designed by a third party consultant with considerable experience of Board reviews and tailored to the Group's specific circumstances. It comprised four elements: • A questionnaire completed by every Board member and the Company Secretary covering Board and Board Committee structure, processes, agendas and priorities. The questions also sought each Board member's assessment of their individual performance and allowed members to give feedback on each other. The questionnaire was based on input provided by an external consultant with considerable experience of Board reviews, but tailored to meet the specific circumstances of the Company • The compilation of the skills information referred to above under Principle 6 • A Board discussion facilitated by the Company Secretary of the outputs of the questionnaire and skills matrix • Individual conversations between the Chairman and each other Director and between the Senior Independent Director and the Chairman regarding the feedback related to them individually in the questionnaire. The process identified a number of actions that the Board believes will contribute to improving performance, and these will be implemented during 2019 (to the extent not already in place by the end of 2018), including: • Creating more time in Board discussions to cover strategy and industry developments • Adding to the level of specific video games experience on the Board • Ensuring that there is robust succession planning in place for senior roles • A more proactive approach on the part of the Remuneration Committee to the structuring of incentives

GOVERNANCE PRINCIPLES	ACTION
PRINCIPLE 8	
Promote a culture that is based on ethical values and behaviours.	The Board aims to lead by example in this area and do what is in the best interests of the Group. The processes in place by which it makes decisions and that are documented in the terms of reference for its Committees, the requirement for regular disclosure of other interests and the Company's share dealing code all require high standards of behaviour. The Company's employment policies, such as those applying to Whistleblowing and Anti-bribery and Corruption, assist in embedding a culture of ethical behaviour. The Board is also supportive of the charitable projects undertaken by the business. Over the past year Sumo Group is proud to have: • Partnered with Special Effect to raise money through a variety of events including their Karting Grand Prix, the TwinTown 2018 Charity Rally Event and running our own Snake Pass auction • Helped to plant over 1,000 trees in Malawi via Fruitful Office who provide fruit baskets for our employees twice a week. A tree is planted for each fruit basket purchased • Raised over £1,200 for The Sheffield Children's Hospice and Games Aid with a charity auction at our annual Big Day Out • Collected donations of food and Christmas presents for Sheffield-based food bank, Jubilee and a local homeless charity
PRINCIPLE 9	
Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.	The Board meets at least eight times each year in accordance with its scheduled meeting calendar. This schedule may be supplemented by additional meetings as and when required. The attendance by each Board member at scheduled meetings is shown in the Board biographies on pages 36 and 37. The Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting; and Board and Committee papers are distributed several days before meetings take place. The Board makes decisions for the Group through a formal schedule of matters reserved for its decision. Any specific actions arising are agreed by the Board or relevant Committee and then followed up by the Company's management. **Board Committees** The Board is supported by the Audit, Nomination and Remuneration Committees. Each Committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the Committee to discharge its duties. A detailed report of the composition, responsibilities and key activities of the Audit Committee are set out in the Audit Committee Report and for the Remuneration Committee in the Directors' Remuneration Report. The Nomination Committee is chaired by Ken Beaty, and its primary purpose is to identify and nominate, for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Nomination Committee meets as required, and at least once a year. Michael Sherwin, Ian Livingstone and Andrea Dunstan are the other members of the Nomination Committee. The Committee has terms of reference in place which have been formally approved by the Board. The Nomination Committee also reviews the structure, size, diversity and composition of the Board and makes recommendations concerning the annual re-appointment of any Non-Executive Director and the identification and nomination of new Directors. The Committee will retain external search and selection consultants as appropriate. During the year the Nomination Committee was involved in the appointment and induction of Andrea Dunstan as an independent Non-Executive Director in September. Andrea brings a wealth of experience in organisational development and HR strategy. **Operating Board** To monitor operational performance across the Group and ensure effective decision-making, an Operating Board has been established. Details of membership of this board is set out in this Annual Report. The Operating Board typically meets shortly before each PLC Board meeting to ensure that executives are able to provide the most up to date information to the PLC Board.

GOVERNANCE PRINCIPLES	ACTION

PRINCIPLE 10

Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

Communicating to stakeholders
The Board communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the AGM and one-to-one meetings with large existing or potential new shareholders. A range of corporate information (including all the Company announcements and presentations) is also available to shareholders, investors and the public on our corporate website, www.sumogroupplc.com.

Company performance information is communicated with employees through the internal newsletter and the Operating Board roadshows, within the limitations imposed by adherence to the Company's public company disclosure obligations.

Share capital structure
Details of the Company's share capital structure can be found in the Directors' Report and in note 23 of the Group financial statements.

Going concern basis
The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Group financial review, together with the financial position of the Group, its cash flows, liquidity position and borrowing facilities. Financial projections have been prepared to December 2020 which show positive earnings and cash flow generation and project compliance with banking covenants at each testing date. Accordingly, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and they have adopted the going concern basis of accounting in preparing the annual Group financial statements.

Forward-looking statements
This Annual Report contains forward-looking statements that involve risk and uncertainties.

The Group's actual results could differ materially from those estimated or anticipated in the forward-looking statements as a result of many factors. Information contained in this Annual Report and Accounts relating to the Company should not be relied upon as a guide to future performance.

PROVEN
MANAGEMENT CAPABILITY

KEN BEATY

Non-Executive Chairman of the Board (50)

NC AC

Appointment date:
November 2017

Experience:
20 years as a private equity investor and Partner with 3i Group plc. Prior to this Ken trained and worked as a graduate management accountant with Shell oil company. Ken left 3i in 2013 to pursue a plural career as an independent company chairman and NED and since then has worked with a number of private and private equity owned companies as well as charities in the arts, education and healthcare sectors

External appointments:
- Chairman I&C Holdings Ltd, private equity backed marine construction services business
- Deputy Chairman Maggie's Yorkshire campaign board, international cancer care centres charity
- Governor & chair of Finance Committee, The Frobelian School (Horsforth) Ltd

Skills brought to the Board:
Strategy, corporate governance, organic and acquisitive business growth, financing, sounding board for senior executive team

Sector experience:
Various business services, industrial and consumer

Number of Board meetings attended:
9

Number of Audit Committee meetings attended:
4

Number of Nomination Committee meetings attended:
2

CARL CAVERS

Co founder & Chief Executive Officer (51)

Appointment date:
November 2017

Experience:
Co-founder of Sumo Digital in 2003, growing the business before a trade sale to Foundation 9. Carl then led a management buy-out with Northedge Capital in 2014, followed by a secondary buy-out with Perwyn in 2016. This was followed by the flotation of Sumo Group plc on AIM in 2017. Carl received TIGA's coveted Most Outstanding Individual Award in 2015 and he holds an honorary doctorate from Sheffield Hallam University

External appointments:
- Board member of TIGA

Skills brought to the Board:
Business leadership, strategy, M&A, organic growth, client relationships, contracts and negotiations

Sector experience:
Almost 25 years' extensive experience in the video games industry having held senior roles previously at Gremlin Interactive and Infogrames

Number of Board meetings attended:
10

ANDREA DUNSTAN

Independent Non-Executive Director (59)

RC AC NC

Appointment date:
September 2018

Experience:
Four years as Chief People Officer for Premier Farnell plc until January 2017. Prior to this, Andrea worked as an executive HR Director for numerous quoted companies, including Wincanton plc, AstraZeneca plc and Barclays Bank plc

External appointments:
- Non-executive director and chair of Remuneration Committee of Macfarlane Group plc
- Non-executive director of TI Fluid Systems plc
- Executive Council member and Chair of Remuneration Committee of Salford University

Skills brought to the Board:
HR strategy, organisational development, remuneration

Sector experience:
Distribution and logistics, pharmaceuticals, finance

Number of Board meetings attended:
3

Number of Remuneration Committee meetings attended:
1

Number of Audit Committee meetings attended:
1

Number of Nomination Committee meetings attended:
1

MICHAEL SHERWIN

Independent Non-Executive Director (60)

AC NC RC

Appointment date:
December 2017

Experience:
Nine years as Chief Financial Officer of Vertu Motors plc (until March 2019). Extensive retail, transactional and public market experience, including nine years as Group Finance Director of Games Workshop PLC and three years as a non-executive director of Plusnet plc, an AIM listed internet service provider. Michael qualified as a chartered accountant with Price Waterhouse where he held positions in the UK, Paris and Sydney

External appointments:
- None

Skills brought to the Board:
Financial reporting, corporate governance, investor relations, M&A

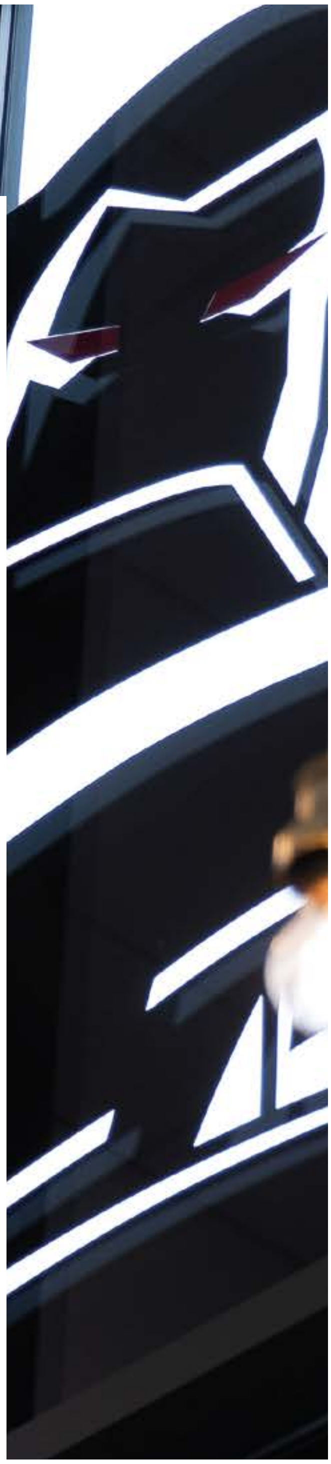
Sector experience:
Consumer goods, internet service provider, motor vehicle

Number of Board meetings attended:
10

Number of Remuneration Committee meetings attended:
4

Number of Audit Committee meetings attended:
4

Number of Nomination Committee meetings attended:
2



IAN LIVINGSTONE CBE

Independent Non-Executive Director (69)

AC RC

Appointment date:
November 2017

Experience:
44 years in the games industry. Co-founder and former Joint Managing Director of Games Workshop; former Executive Chairman of Eidos plc; former Chairman of Playdemic Ltd

External appointments:
- Non-executive director of Midoki Ltd
- Non-executive director of Antstream Ltd
- Non-executive director of Flavourworks Ltd
- Non-executive director of Fusebox Ltd
- Non-executive director of Playmob Ltd
- Non-executive director of Creative England
- Non-executive director of Aspirations Academies Trust
- Non-executive director of National Citizens Service Trust
- Board member of UKIE

Skills brought to the Board:
Industry knowledge and experience, strategy

Sector experience:
Games industry development and publishing, strategy, acquisitions, business models and funding

Number of Board meetings attended:
10

Number of Remuneration Committee meetings attended:
2

Number of Audit Committee meetings attended:
4

Number of Nomination Committee meetings attended:
2

DAVID WILTON

Chief Financial Officer (56)

Appointment date:
November 2017

Experience:
Big four qualified chartered accountant with more than 30 years' post qualification experience as CFO, Non-Executive Director and Consultant after many years in corporate finance, primarily in mid cap M&A with Rothschilds. David has held roles in both plc and private equity backed companies including as Group Finance Director of WYG plc and as Non-Executive Director and Chair of the Audit Committee of Sweett Group plc

External appointments:
- None

Skills brought to the Board:
Financial management, M&A and investor relations

Sector experience:
Broad range with focus on people and professional services

Number of Board meetings attended:
10

PAUL PORTER

Co founder & Chief Operating Officer (47)

Appointment date:
April 2019

Experience:
Over 25 years' experience in developing video games and co-founded Sumo Digital in 2003. He started his career as a self-taught programmer and released his first game in 1991. Prior to founding Sumo Digital, Paul was Studio Head for Infogrames Sheffield and Head of Core Technology at Gremlin Interactive. He was appointed Chief Operating Officer of Sumo Group plc in April 2019. Prior to this he was Managing Director of Sumo Digital

External appointments:
- None

Skills brought to the Board:
Video games development, business leadership, client relationships and negotiations

Sector experience:
Extensive experience in the video games industry

Number of Board meetings attended:
N/A

COMMITTEE MEMBERSHIP

NC Nominations Committee

AC Audit Committee

RC Remuneration Committee

● Chair of Committee

PROVEN
MANAGEMENT POTENTIAL

CARL CAVERS 1
Co founder &
Chief Executive Officer (51)

DAVID WILTON 2
Chief Financial Officer (56)

PAUL PORTER 3
Co founder &
Chief Operating Officer (47)

ANDY STEWART 4
Group Director of Finance (36)

Joining date:
October 2018

Experience:
Andy has held a number of senior finance positions in the technology and telecommunications sectors, including FTSE listed business such as Experian and BT and also three years as the Financial Controller at Plusnet. He started his career at PwC, qualifying as a chartered accountant in 2008. The majority of his nine years at PwC was spent in its M&A Advisory practice, delivering complex financial due diligence projects to an array of different clients and sectors. His time at PwC also included two years in its Madrid office, working on pan-European and global deals

Skills brought to the Board:
Finance operations, control and governance, financial insight and reporting, M&A (due diligence and integration)

Sector experience
Technology, telecommunications, professional services

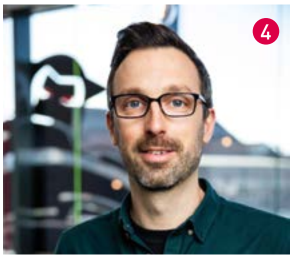
STEVEN WEBB 5
General Counsel and Company Secretary (56)

Joining date:
December 2017

Experience:
After qualifying as a solicitor with Norton Rose, Steven spent a number of years in private practice specialising in corporate and commercial law, before moving to his first Company Secretary role with Kalon Group plc in 1994. He became Company Secretary and General Counsel of Yorkshire Water plc (later re-named Kelda Group plc) in 1997 and spent 16 years in the same role at Premier Farnell plc from 2000. Steven was also a member of the Board of Governors of Leeds Beckett University for six years, including time as Deputy Chairman and Chairman

Skills brought to the Board:
Corporate governance, M&A (UK, US, Germany, India, China), commercial negotiation, strategy development

Sector experience
Manufacturing, utility, distribution



STEVE SHREEVES 6

Group Director of IT (49)

Joining date:
September 2018

Experience:
Following his first role programming Computer Numerical Controlled manufacturing equipment, Steve served in the Royal Air Force for 12 years as an Electronics Technician working on everything from airfield radars to satellite communications

After leaving the RAF he joined Premier Farnell as a network engineer and, over 18 years there, progressed to Global Head of IT Operations, leading a team of approximately 100 IT staff across the world

Skills brought to the Board:
Strong technical background in all elements of IT, experience in management of global teams and IT strategy definition and implementation

Sector experience:
Armed forces, distribution

TIM WILSON 7

Managing Director – Atomhawk (38)

Joining date:
February 2015

Experience:
Having graduated from Warwick University, Tim had an 11 year career in the Marketing and Communications sector, holding account management and planning roles working for brands including Virgin Money, Vodafone, Natural History Museum and World Rowing. He joined Atomhawk as Head of Operations in 2015, playing a key role in the expansion of the studio's growth of headcount, revenue and international footprint. He was appointed as Managing Director in September 2018 and oversees the Atomhawk studios in Gateshead and Vancouver

Skills brought to the Board:
Strategy development, brand planning, operational management, agency-model experience, M&A

Sector experience:
Video games, retail, tourism, leisure, sport, finance, B-2-B

DEAN TROTMAN 8

Commercial Director (43)

Joining date:
January 2019

Experience:
Dean began his Games Industry career fresh from University, joining Codemasters Software as Acquisitions Manager in 1997. This was followed by 14 years as Commercial Director at SEGA Europe, responsible for introducing multiple new partnerships, projects, licences, and content as well as the best-practice porting of high-profile Japanese IP

Skills brought to the Board:
Developer and Publisher Relations, Commercial Negotiation, Franchise Development, Games Publishing

Sector experience:
Gaming industry

GARY DUNN 9

Managing Director – Sumo Digital (50)

Joining date:
October 2017

Experience:
After a 12 year career in Telecomunications, Gary joined the games industry in 2002, becoming Executive Producer for the Colin McRae Rally Franchise, being promoted to the Codemasters board after only three months, Gary was responsible for all internal and external development. Gary joined SEGA in 2005, and led the integration of both Creative Assembly and Sports Interactive into the company, notably growing the former from 60 to 300 staff. Gary returned to Codemasters in 2013, running the development for the company once more, including the F1 and DIrt Franchises. Gary ran his own Consulting practice for three years before joining Sumo

Skills brought to the Board:
Game development leadership, acquisition and integration of games companies, games publishing

Sector experience:
Telecommunications, video games

RICHARD IGGO 10

Marketing Director (46)

Joining date:
November 2018

Experience:
Richard has over 20 years of games industry experience, having begun his career with Virgin Retail in 1994 before moving to Gremlin Interactive in 1998. From there, he progressed to Infogrames, relocating from the UK to the United States in order to manage Epic Games' Unreal brand. He then built and executed successful marketing strategies for other US employers including Telltale Games. After 17 years away, Richard returned to the UK having worked on some of the world's biggest entertainment properties to lead Sumo's global marketing and PR activity in support of recruitment, brand awareness and self-published games

Skills brought to the Board:
Corporate and consumer communications, marketing strategy development and execution, branding

Sector experience:
Marketing, PR, publishing, manufacturing, digital distribution

KAREN MCLOUGHLIN 11

Group Director of HR (47)

Joining date:
May 2005

Experience:
Karen began her career in the video games industry in 1996 at Gremlin Interactive, where she gained extensive experience in a gaming and software development environment. In 2005, as Sumo Digital was expanding, Karen joined as Office Manager in Sheffield. In 2011, she was promoted to HR Manager for Sumo Digital, moving into her current role of Group Director of HR in January 2018. Karen is a CIPD qualified HR professional.

Skills brought to the Board:
HR leadership, acquisition, integration, TUPE transfer, organisational change, employee relations, talent management

Sector experience:
Public sector, video game development

Dear shareholder,

I am pleased to present the Audit Committee Report describing our work during the past year. Following the Committee's establishment in December 2017, we have had a successful first year that saw the introduction of the Group's internal audit function and improvements in the risk management activities.

Committee governance

The Audit Committee consists of all three Independent Non-Executive Directors and I chair the Committee as an independent Non-Executive Director. I am a qualified chartered accountant and was the Chief Financial Officer of another listed company until my retirement in March 2019.

The other independent Non-Executive Directors also have considerable experience in senior financial or operational roles. They are deemed to have the necessary ability and experience to understand financial statements.

The Committee meets at least four times a year. Additionally, private meetings are held with the external auditor and the Group Internal Auditor at which management are not present.

Key responsibilities

The terms of reference of the Committee are available on the Sumo Group plc Investor Relations website. In accordance with these, the Committee is required, amongst other things, to:

- Monitor the integrity of the financial statements of the Group and external announcements of the results
- Advise on the clarity of disclosures and information contained in the Annual Report and Accounts
- Ensure compliance with applicable accounting standards and review the consistency of methodology applied
- Review the adequacy and effectiveness of the Group's internal controls and risk management system
- Oversee the relationship with the external auditors, reviewing their performance and independence, and advising the Board members on their appointment and remuneration
- Consider the effectiveness of the Group's internal audit function and monitor management responsiveness to their findings and recommendations

The Committee reports to the Board on all of these matters. The key work undertaken by the Committee during the year under review and up to the date of this Annual Report is detailed below.

Internal audit

Following the Audit Committee's recommendation last year, a Group Internal Auditor was recruited in June 2018 with the remit of establishing the Group's internal audit function.

The initial work undertaken has been focused on establishing a formal policy framework ahead of preparing for a programme of internal audits during 2019. These audits will support the introduction and improvement of key controls and policies and establish the framework within which the function will operate.

The initiation of an internal audit function has been an important step for the Committee and the Board, and 2019 will see the function embedded within the Group, building on this strong start.

Internal control and risk management

The Audit Committee supports the Board in reviewing the risk management methodology and the effectiveness of internal control.

This year the Group has strengthened the approach to risk assessment and monitoring, including an overhaul of the risk register and the introduction of quarterly Operating Board risk review meetings. The engagement of the Operating Board has been a key area of progress during the year, ensuring that the "tone from the top" on matters of risk is appropriately framed. This is coordinated by the Group Internal Auditor who reports on principal risks and mitigation actions to the Committee.

External audit

The Audit Committee approves the appointment and remuneration of the Group's external auditor and satisfies itself that they maintain their independence regardless of any non-audit work performed by them. The Committee reviews its formal policy governing the performance of non-audit work annually. The auditor is permitted to provide non-audit services which are not, and are not perceived to be, in conflict with auditor independence, providing it has the skill, competence and integrity to carry out the work and is considered to be the most appropriate to undertake such work in the best interests of the Group. All assignments are monitored by the Committee. The external auditor reports to the Committee on actions taken to comply with professional and regulatory requirements in this regard.

The respective responsibilities of the Directors and external auditor in connection with the Group financial statements are explained in the Statement of Directors' Responsibilities and the Auditor's Report. Details of services provided by and fees payable to the auditor are shown in note 10 to the Group financial statements.

Whilst the Audit Committee has not adopted a formal policy in respect of the rotation of the external auditor, one of its principal duties is to make recommendations to the Board in relation to the appointment of the external auditor. Various factors are considered by the Committee in this respect, including the quality of the reports provided to the Committee and the level of understanding of the Group's business. There is an active, ongoing dialogue between the Committee and the external auditor on actions to improve the effectiveness and efficiency of the external audit process.

Significant reporting issues and judgements

At the request of the Board, the Audit Committee considered whether the 2018 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's performance, business model and strategy. The Committee was satisfied that, taken as a whole, the 2018 Annual Report is fair, balanced and understandable.

The Audit Committee assesses whether suitable accounting policies have been adopted and whether appropriate estimates and judgements have been made by management. The Committee also reviews accounting papers prepared by management, and reviews reports by the external auditor. The significant reporting matters and judgements the Committee considered during the year included:

- The appropriateness of the Group's approach to the adoption of IFRS 15 and the subsequent recognition of contract revenue. The Committee considered the interpretation of the accounting standard and reviewed the key financial assumptions underpinning the figures. The Committee was satisfied that the treatment of revenue was compliant with IFRS 15 and was applied consistently across the Group's contractual income (see the Financial Review and note 27 to the financial statements), in particular, the Committee encouraged the enhanced policy disclosure in note 2.
- The proposed transition methodology for the adoption of IFRS 16 'Leases' in FY19 and the disclosures made in respect of these changes in the current financial statements to determine whether they are appropriate. The Committee reviewed the key financial assumptions underpinning the projected impact of the adoption of IFRS 16 and the justification for the proposed approach. The Committee concluded that the approach was appropriate (more details can be found in note 30).
- The accounting treatment of Video Games Tax Relief credits within direct costs. The Audit Committee continues to be of the opinion that this approach best reflects the substance and nature of these credits.

Michael Sherwin

Chair of the Audit Committee

8 April 2019

Dear shareholder,

I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2018.

I chair the Remuneration Committee as an independent Non-Executive Director and Ian Livingstone and Michael Sherwin, who are also independent Non-Executive Directors, are the other members of the Committee. We are supported by Steven Webb as Company Secretary.

The aim of this report is to provide shareholders with information to understand our remuneration strategy and its linkage to the Group's financial performance.

In preparing the report, we have taken account of the guidance issued by the Quoted Companies Alliance ("QCA"), as the Company has chosen to apply the Corporate Governance Code published by the QCA.

Responsibilities

The Committee's terms of reference are to review the performance of the Executive Directors and of the members of the Operating Board and determine their terms and conditions of service, including their short and long-term rewards, having due regard to the interests of shareholders and to any risks that might arise to the Company. In doing so, the Committee will have regard to the position of employees across the Group.

The Remuneration Committee met four times during the year and has five meetings scheduled for 2019.

During the year PwC provided the Committee with external remuneration advice, including on all aspects of remuneration policy for Executive Directors. PwC also provided advice to the Company in relation to the drafting and implementation of Executive and all-employee incentive plans. The Remuneration Committee is satisfied that the advice received was objective and independent. PwC received a fee of £72,000 for their advice during the year to 31 December 2018.

Since the year end, the Committee has appointed FIT Remuneration Consultants ("FIT") to provide external remuneration advice in place of PwC. FIT is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees.

Our performance in 2018

As summarised in the Chairman's statement, 2018 was another successful year for the Group, both in terms of delivering the expected financial results and progressing on strategic targets. This is reflected in the pay out-turns below.

Key pay out-turns for 2018

Each of the Executive Directors received an annual bonus based on financial and strategic measures described in more detail later in this report. Following a review by the Committee, David Wilton's salary was increased during the year to reflect additional responsibilities, excellent performance and the fact that his original salary was low compared to relevant comparators.

No long-term incentives vested during the year.

Looking forward to 2019

The key terms of the remuneration policy are set out on pages 43 to 45 and the key components of Executive packages are summarised as follows:

- Base salary, pension and benefits positioned competitively to the market in which the Company operates.
- Annual bonus – an annual bonus with performance criteria based on a mixture of profit-based and personal objectives as set by the Remuneration Committee.
- Long Term Incentive Plan ("LTIP") – share-based awards with three-year performance criteria based on EPS growth and total shareholder return over the performance period, with a further one–year holding period for 50% of the grant. It is not anticipated that any LTIP awards will be made to Executive Directors during 2019 pending the outcome of a review of the plan being carried out by the Committee.

I do hope that this report clearly explains our approach to remuneration and enables you to appreciate how it underpins our business growth strategy.

Andrea Dunstan

Chair of the Remuneration Committee

8 April 2019

As it is listed on AIM, the Company is not required to provide all of the information included in this report. However, in the interests of transparency this has been included as a voluntary disclosure. The report is unaudited.

Our overall remuneration policy is to:

Be consistent and principled	• maintain a consistent Executive compensation strategy, based on clear principles and objectives
Link pay to strategy	• support the Company's strategy and its execution
Align with shareholders' interests	• closely align Executive reward with shareholder returns
Be competitive	• ensure that the organisation can attract, motivate and retain high-calibre talent to enable it to compete successfully in an international market
Link pay to performance	• provide the opportunity for Executives and other colleagues to receive competitive rewards for performance, aligned to the sustained success of the overall Group, paying what is commensurate with achieving these aims
Reflect the internal landscape	• operate broadly-based incentives to recognise talented performers throughout the Group and take account of pay and conditions for all employees in the Group when setting Executive remuneration • the Committee has regard to pay structures across the wider Group when setting the remuneration policy for Executive Directors. In particular the general basic salary increase for the broader workforce is considered when determining the annual salary review for the Executive Directors. While participation in the Group's long-term incentive plans is limited to those employees considered to have the greatest potential to influence overall levels of performance, the Group encourages equity ownership at all levels through our use of a tax-advantaged Share Incentive Plan
And be clear	• be easy to understand and supported by clear communication

It has these elements:

Fixed	Salary Benefits Pension or pension allowance
Variable based on performance	Annual bonus Long-Term Incentive Plan

The table below provides more detail on the key features of our remuneration policy and how it will operate in 2019:

Element	Policy	Purpose and link to strategy
BASE SALARY	Positioned competitively in line with the market. With effect from 1 April 2019, Executive Directors' salaries will be as follows: • CEO £270,000 • CFO £220,000	To provide an appropriate level of fixed cash income to recruit and retain talent through the provision of competitively positioned base salaries. It is critical to the success of the business that it can recruit talented individuals at all levels.
DISCRETIONARY ANNUAL BONUS	Maximum opportunity for Executive Directors is 100% of base salary. • Performance is measured over one financial year. • Weightings and targets are reviewed and set at the start of each financial year. • For 2019, 70% of the bonus will be based on Adjusted EBITDA performance with the remaining 30% based on the achievement of strategic objectives. • Malus and clawback provisions apply in the case of: – a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company; or – action or conduct which, in the reasonable opinion of the Board, amounts to fraud or gross misconduct.	Designed to motivate Executive Directors to focus on annual goals and milestones which are consistent with the Group's longer-term strategic aims. Forms part of the significant weighting of overall remuneration to variable elements with stretching performance measures. Payment is dependent on achieving profitable growth and strategic objectives that are essential to deliver the strategy.
LONG TERM INCENTIVE PLAN (LTIP)	• As disclosed in the Admission Document, a nil-cost option was granted to the CFO on Admission over 500,000 shares and becomes exercisable in June 2019, subject to remaining in employment. • In accordance with the intention referred to in the Admission Document, awards under the LTIP were also granted to the CEO and CFO in March 2018 under which: – performance against earnings per share and total shareholder return targets is measured over three years. – 50% of any part of the awards that vest is exercisable once the performance has been confirmed, with the balance not exercisable for a further year. • Not anticipated that any further awards will be made during 2019. • Malus and clawback provisions apply in the case of: – a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company; or – action or conduct which, in the reasonable opinion of the Board, amounts to fraud or gross misconduct.	To ensure that the CFO, who had joined the Company shortly before Admission, has a significant interest in the Company's performance aligned with shareholders. Aligns the interests of the Executive Directors with shareholders over the long term. Incentivises delivery of stretching financial targets that will provide value to shareholders. Acts as a retention mechanism for key talent. Further element of variable pay with stretching performance measures. Additional period post-vesting acts as a retention mechanism.
PENSION	• Both Executive Directors are entitled to receive pension contributions from the Company which are equal to 5% of the base salary delivered as: – money purchase benefits; or – a cash equivalent. Not included as salary for the purposes of annual bonus or LTIP awards.	To recruit and retain the right people to deliver the strategy.
BENEFITS	The Executives are entitled to a standard Director benefits package including a car allowance, private medical expenses insurance and life assurance cover.	To recruit and retain the right people to deliver the strategy.
TERMINATION	Information on the service contracts for Executive Directors and letters of appointment for Non-Executive Directors is provided below. On a termination, the Company would be obliged to meet its contractual obligations, but would apply a robust approach to the relevant individual, mitigating any losses.	Honour contractual commitments while not paying more than is necessary.

Recruitment remuneration arrangements

When hiring a new Executive Director, the Committee will set the Director's ongoing remuneration in a manner consistent with the policy described above. To facilitate the hiring of candidates of the appropriate calibre required, the Committee may make an award to 'buy-out' variable remuneration arrangements forfeited on leaving a previous employer. In doing so, the Committee will take account of relevant factors including the form of award, any performance conditions and the time over which the award would have vested. Recruitment awards will normally be liable to forfeiture or "clawback"on early departure.

Appropriate costs and support will be covered if the recruitment requires relocation of the individual.

Communication with shareholders

The Remuneration Committee is committed to an ongoing dialogue with shareholders and will seek the views of significant shareholders when formulating and implementing any changes to the remuneration policy, including when any major changes are being made to remuneration arrangements. The Remuneration Committee Chair will be available to answer questions from shareholders regarding remuneration at the Company's Annual General Meeting.

Executive Director contracts and loss of office payments

Both Executive Directors entered into service agreements on 15 December 2017, which became effective upon Admission. The agreements require a notice period of one year from the Company and from the Executive. It is the Committee's intention that any future service contracts will be subject to similar notice periods.

Other than payment of salary and benefits in lieu of notice, the Directors' service agreements and letters of appointment do not provide for benefits on termination of employment.

Outstanding awards made under the LTIP would normally lapse on an Executive leaving employment. However, there are specific rules of the plan dealing with the treatment of awards on leaving. In summary, if an Executive were a 'good leaver', he or she may be entitled to retain his or her award, although, for unvested awards:

- the number of shares under an award may be reduced to reflect any unexpired performance period (referred to as pro rating); and
- the award would normally remain subject to any applicable performance conditions.

A 'good leaver' is someone who leaves by reason of injury, disability, redundancy, on the sale or transfer out of the Group of his or her employing business, on retirement with the agreement of the Committee or in other special circumstances at the Committee's discretion. Someone dying in service would also be a good leaver, with their personal representatives assuming their rights in respect of their awards.

Terms and conditions for Non-Executive Directors

Non-Executive Directors do not have service contracts but appointment letters setting out their terms of appointment. Ken Beaty and Ian Livingstone were appointed on 20 November 2017 and Michael Sherwin on 21 December 2017. Andrea Dunstan was appointed on 24 September 2018. The appointments may be terminated on one month's notice by either party.

The Board considers that Andrea Dunstan, Michael Sherwin and Ian Livingstone are independent Non-Executive Directors.

The Non-Executive Directors receive an annual base fee reflecting their respective time commitments and do not receive any benefits in addition to their fees, nor are they eligible to participate in any pension, bonus or share-based incentive arrangements.

The table of emoluments on page 46 shows the fees received by each Non-Executive Director for the year.

Directors' remuneration

Name of Director	Fees/basic salary (2017) £'000	Benefits (2017) £'000	Bonus (2017) £'000	LTIP £'000	Pension (2017) £'000	**2018 total £'000**	2017 total £'000
C Cavers	240 (189)	19 (18)	180 (101)	–	11 (9)	**450**	317
D Wilton	194 (54[1])	13 (4[1])	157 (44[1])	–	9 (1[1])	**373**	103[1]
Non-Executive							
K Beaty	95 (98)	–	–	–	–	**95**	98
I Livingstone	56 (55)	–	–	–	–	**56**	55
M Sherwin	40 (7)	–	–	–	–	**40**	7
A Dunstan[2]	11 (0)	–	–	–	–	**11**	–
Aggregate	636 (403)	32 (22)	337 (145)	–	20 (10)	**1,025**	580

1 Part-year only – appointed September 2017.
2 Part-year only – appointed September 2018.

Annual bonus plan

The table below summarises performance and out-turns for the Executive Directors under the 2018 Annual bonus. The maximum bonus opportunity for 2018 was 100% of base salary.

	Threshold	Target	Maximum	Actual	Out-turn
Adjusted pre-bonus EBITDA (75% of maximum)	£8.2m	£11.8m	£13.7m	£12.3m	66.4% of maximum
Strategic objectives (25% of maximum)	See commentary below				100.0% of maximum
				Carl Cavers David Wilton	74.8% of salary 74.8% of salary

The strategic objectives set for the annual bonus plan were aligned with the four strategic priorities: deliver and expand; new strategic partners; own-IP; and acquisitions, with equal weighting applied to each area. As noted earlier in this Annual Report, the Company has grown significantly during the year, has acquired new clients, made significant progress on exploiting its own intellectual property and has established an acquisition approach that has led to The Chinese Room and Red Kite Games joining the Group. The bonus payments referred to above reflect this excellent performance.

Long-Term Incentive Plan (LTIP)

The table below summarises the awards made to Executive Directors under the plan:

Nil-cost with no performance conditions outstanding as at 31 December 2018

	Award date	Share price at date of grant	No of shares vesting at maximum	Face value of shares vesting at maximum[1]	Vesting date
D Wilton	21 December 2017	100p	500,000	£500,000	21 June 2019

Nil-cost awards with performance conditions granted during 2018

	Award date	Share price at date of grant	No of shares vesting at maximum	Face value of shares vesting at maximum £[2]	EPS/annualised TSR for maximum vesting[3]	No of shares vesting at threshold (8.75 of maximum %)	EPS/annualised TSR for threshold vesting	Performance period ending
C Cavers	9 March 2018	106.5p	1,200,000	1,200,000	20.65p/30%	105,000	17.83p/10%	31 December 2020
D Wilton	9 March 2018	106.5p	885,000	885,000	20.65p/30%	77,437	17.83p/10%	31 December 2020

1 Using share price at grant.
2 Using the value of £1 per share used to determine the number of shares awarded.
3 The LTIP is based on TSR & EPS targets with EPS based on cumulative adjusted EPS (as defined in the LTIP Rules) which excludes share-based payment costs and amortisation, for the years ending 31 December 2018, 2019 and 2020.

The shares comprised in these awards are held in a joint ownership arrangement with the Sumo Group plc Employee Benefit Trust.

The charge for share-based payments appears as note 19 to the accounts.

The Directors present their report together with the audited Group financial statements of the Parent Company (the "Company") and the Group for the year ended 31 December 2018.

Business review and future developments

A review of the performance of the Group during the year, including principal risks and uncertainties, key performance indicators and comments on future developments, is given in the Strategic Report.

Results and dividends

The Group recorded revenue in the year of £38.7m (2017: £28.9m) and loss after tax of £0.3m (2017: £23.4m).

No dividends have been paid or are proposed.

Events after the balance sheet date

On 31 January 2019, the Company acquired the entire issued share capital of Red Kite Games Limited and transferred the acquired shares to Sumo Digital Limited.

Financial risk management

Information relating to the principal risks and uncertainties of the Group has been included within the Strategic Report. Further information relating to the financial risks of the Group has been included within note 22, financial risk management.

Directors and their interests

The Directors of the Company who were in office during the year and up to the date of signing the Group financial statements were:

- Ken Beaty appointed 20 November 2017
- Carl Cavers appointed 20 November 2017
- David Wilton appointed 20 November 2017
- Ian Livingstone appointed 20 November 2017
- Michael Sherwin appointed 21 December 2017
- Andrea Dunstan appointed 24 September 2018

All the Directors will stand for election or re-election at the forthcoming AGM.

The Directors who held office during the year and as at 31 December 2018 had the following interests in the Ordinary Shares of the Company:

Name of Director	Number
Carl Cavers[1]	6,601,907
David Wilton[2]	64,070
Ken Beaty	1,463,639
Ian Livingstone	2,153,287
Michael Sherwin	20,000
Andrea Dunstan	20,000

1 The interests of Carl Cavers in Ordinary Shares set out above include his interests in 6,601,907 Ordinary Shares held by Aghoco 1337 Limited (as trustee of the Sumo Group plc Employee Benefit Trust).
2 The interests of David Wilton in Ordinary Shares set out above include his interests in 19,000 Ordinary Shares held in the name of his wife.

In addition to the interests in Ordinary Shares shown above, the Group operates a Long-Term Incentive plan (the "LTIP") for senior executives, under which awards may be granted over shares in the Company. The maximum number of Ordinary Shares which could be issued to Directors in the future under such awards at 31 December 2018 is shown below:

Name of Director	Number
Carl Cavers	1,200,000
David Wilton	1,385,000

The market price of the Company's shares at the end of the financial year was 118.5p (on 31 December 2017: 115.0p) and the range of market prices during the year was between 79.5p and 181.5p.

Further details on related party transactions with Directors are provided in note 24 of the Group financial statements.

Directors' indemnities and insurance

The Company has made qualifying third party indemnity provisions for the benefit of the Directors, which were in force from their dates of appointment and up to the date of this report.

Significant shareholdings

As at 8 April 2019, the Company has been advised, in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, or was made aware through the IPO process of the following notifiable interests in 3% or more of its voting rights:

Perwyn Bidco (UK) Limited	41,170,961	27.4%
Aghoco 1337 Limited (as Trustee of the Sumo Group plc Employee Benefit Trust)	19,162,865	12.8%
BlackRock Investment Management (UK) Limited	14,395,963	9.6%
Liontrust Investment Partners LLP	8,000,000	5.3%
Swedbank Robur Fonder AB	7,807,391	5.2%
Schroder Investment Management	6,500,000	4.3%

Employees

The Group regularly provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Group plays a major role in its performance.

The Group recognises its responsibility to employ disabled persons in suitable employment and gives full and fair consideration to such persons, including any employee who becomes disabled, having regard to their particular aptitudes and abilities. Where practicable, disabled employees are treated equally with all other employees in respect of their eligibility for training, career development and promotion.

Share capital and voting

The Company has one class of equity share, namely 0.01p Ordinary Shares. The shares have equal voting rights and there are no special rights or restrictions attaching to any of them or their transfer to other persons. The rights and obligations attaching to these shares are governed by the Companies Act 2006 and the Company's Articles.

Appointment and replacement of Directors and changes to constitution

Rules governing the appointment and replacement of Directors, and those relating to the amendment of the Company's Articles of Association, are contained within those Articles of Association, a copy of which is located on the Company's website (www.sumogroupplc.com).

Notice of Annual General Meeting

A Notice of AGM, with explanatory notes, is made available to all shareholders.

Corporate governance

The Group's statement on corporate governance can be found in the Corporate Governance section of this Annual Report which is incorporated by reference and forms part of this Directors' Report and on the Company's website.

Disclosure of information to auditor

The Directors of the Company at the date of the approval of this report confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

The auditor, Grant Thornton UK LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the AGM.

By order of the Board

Steven Webb

Company Secretary

Sumo Group plc
Unit 32
Jessops Riverside
Brightside Lane
Sheffield
S9 2RX

Registered number: 11071913

8 April 2019

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 101 "Reduced Disclosure Framework"). 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 and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union or United Kingdom Generally Accepted Accounting Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Steven Webb
Company Secretary

Sumo Group plc
Unit 32 Jessops Riverside
Brightside Lane
Sheffield
S9 2RX

Registered number: 11071913

8 April 2019

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Sumo Group plc (the "parent company") and its subsidiaries (the "Group") for the year ended 31 December 2018, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the parent company balance sheet, the parent company statement of changes in equity, and 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 Group financial statements is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosures Framework' (United Kingdom Generally Accepted Accounting Practice).

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 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall materiality: £403,000, which represents approximately 4% of the Group's expected Adjusted EBITDA;
- Key audit matters were identified as the recognition of contract revenue and the accounting treatment of Video Games Tax Relief credits;
- A full scope audit was performed of the financial statements of the Company, and all components determined to be significant. Full scope procedures were performed for entities comprising 100% of external revenues. A targeted approach was adopted for components not considered to be significant.

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) that we identified. These matters included those that 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.

Key audit matter – Group	How the matter was addressed in the audit – Group
The recognition of contract revenue There is a risk that revenue may be misstated due to the improper recognition of revenue. As described on page 58 the Group adopted IFRS 15 'Revenue from Contracts with Customers' in the current year, choosing to apply the "cumulative effect" modified retrospective method of transition. There is significant judgement required in applying the standard's five step model to the Group's contracts, including: • Identifying the relevant contract(s) requires judgement in determining at what point an agreement with a customer creates enforceable rights and obligations • Identifying the performance obligations in the contract requires judgement as to whether the Group is obligated to provide a service (such as development), financing, goods (such as Intellectual Property rights), or a combination of these • Determining the transaction price requires judgement in assessing the best estimate of variable consideration that is due and to what extent this estimate should be constrained so as to quantify an amount highly improbable to reverse • Allocating the transaction price to the performance obligations in the contract requires judgement in allocating the amount of revenue in respect of each performance obligation, and considering whether any significant financing component exists in the contract • Recognising revenue when (or as) the entity satisfies a performance obligation requires judgement as to whether revenue should be recognised at a point in time, or over time. Where revenue is recognised over time, significant management judgement is required in assessing the expected contract outcome and stage of completion at each reporting date. We therefore identified the recognition of contract revenue as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Performing walkthroughs of the systems and controls in place around the recording of revenue; • Evaluation of the revenue recognition policies for compliance with IFRS 15 "Revenue from Contracts with Customers"; • Comparing a sample of contract revenue to the Group's accounting policy to determine whether it has been recognised in line with the policy by: – Confirming that a valid contract existed with the customer by reference to evidence such as written agreements – Challenging whether the identification of the performance obligations within the contract by management is appropriate – Challenging the appropriateness of the transaction price ascertained by management by reference to relevant contract(s) and to assumptions made, including those relating to variable revenues – Determining whether the allocation of transaction price to performance obligations is appropriate – Challenging whether management's assessment as to whether performance obligations have been met, including the percentage of completion assessment made by management where performed over time, is appropriate in light of relevant evidence, including time records and customer acceptance records • Agreeing a sample of revenue transactions to invoice and customer confirmations. The Group's accounting policy on the recognition of contract revenue is shown in note 2 to the financial statements and related disclosures are included in notes 4 and 27. The Audit Committee identified the recognition of contract revenue as a significant issue in its report on page 41, where the Audit Committee also described the action that it has taken to address this issue. The key judgements and estimates made in relation to this matter are described in note 3. **Key observations** Based on our audit work, we found that contract revenue was recognised in line with the Group's accounting policies, and IFRS 15 'Revenue from Contracts with Customers'.

Key audit matter – Group	How the matter was addressed in the audit – Group
The accounting treatment of Video Games Tax Relief credits (VGTCs) There is currently diversity in practice regarding the financial reporting of VGTCs. As this is a tax credit, it may be expected that the accounting treatment is set out in IAS 12 "Income Taxes". However, a key judgement is whether VGTCs constitute investment tax credits, which are not defined within IFRS yet are specifically excluded from the scope of IAS 12 "Income Taxes" and IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance". The Directors are of the opinion that Video Games Tax Relief credits (VGTCs) are most appropriately recognised as a deduction from direct cost, rather than an element of taxation within the consolidated income statement. VGTCs are material to the Group financial statements and key to the financial structuring of the Group's game development contracts. Additionally, there is judgement involved in the recognition of VGTCs. We have identified the accounting treatment of VGTCs as one of the matters of most significance in the audit of the Group financial statements.	Our audit work included, but was not restricted to: • Understanding the differences in technical interpretation relating to the accounting treatment of VGTCs; • Assessing and challenging the appropriateness of management's inclusion of VGTCs as a deduction from direct costs in the light of the nature of the Group's business. • Assessing the appropriateness of the Group's accounting policy relating to VGTCs to determine whether disclosures are in line with IAS 12 "Income Taxes" and IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance"; and • Using tax specialists to perform an assessment of the treatment of qualifying costs within the VGTC computations and evaluating the reasonableness of management's calculation of VGTCs. The Group's accounting policy for VGTCs is shown in note 2 to the financial statements and related disclosures are included in note 6. The Audit Committee identified the accounting treatment of VGTCs as a significant issue in its report on page 39, where the Audit Committee also described the action that it has taken to address this issue. The key judgements and estimates made in relation to this matter are described in note 3. **Key observations** Based on our audit work, we conclude that the accounting treatment for VGTCs is in accordance with the Group's accounting policies and in line with the requirements of relevant accounting standards.

No key audit matters were identified that are unique to the Company.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	£403,000 which is approximately 4% of expected Adjusted EBITDA. This benchmark is considered the most appropriate because Adjusted EBITDA is a key performance indicator of the Group. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2017 to reflect the year on year increase in Adjusted EBITDA.	£302,000 which is based on 1% of total assets, capped to 75% of Group materiality. This benchmark is considered the most appropriate because the Company acts as a holding company and does not trade. Materiality for the current year is in line with the level that we determined for the year ended 31 December 2017.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Communication of misstatements to the Audit Committee	£20,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£15,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business, its environment and risk profile and in particular included:

- evaluation by the Group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. For example, significance as a percentage of the Group's total assets, revenues and profit before taxation or significance based on qualitative factors, such as specific uses or concerns over specific components;
- we performed a full scope audit of the financial statements of the parent company, and all components determined to be significant based on their relative materiality to the Group and assessment of audit risk. Full scope procedures were performed for entities comprising 100% of external revenues;
- the Group has components in Canada and India. We have assessed the risk of material misstatement for each of these components to conclude which components require a full scope audit;
- a targeted approach was adopted for components with no external revenue and not considered to be significant.

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.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified
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 under the Companies Act 2006

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.

Matters on which we are required to report by exception

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 for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 49, 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

Mark Overfield BSc FCA

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds

8 April 2019

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2018

	Note	Year ended 31 December 2018 £'000	Restated[1] Year ended 31 December 2017 £'000
Revenue	4	**38,696**	28,591
Direct costs		**(27,191)**	(23,635)
Video Games Tax Relief		**6,898**	8,296
Direct costs (net)	6	**(20,293)**	(15,339)
Gross profit		**18,403**	13,252
Operating expenses		**(19,004)**	(33,191)
Operating expenses – exceptional	7	**(94)**	(2,656)
Operating expenses – total		**(19,098)**	(35,847)
Group operating loss		**(695)**	(22,595)
Analysed as:			
Adjusted EBITDA[2]		**10,407**	8,356
Amortisation	13	**(6,947)**	(27,626)
Depreciation	14	**(1,104)**	(669)
Share-based payment charge		**(2,578)**	–
Customer revenue included within finance income	27	**(421)**	–
Accrued royalty not yet received and contingent on future sales	27	**250**	–
Investment in co-funded games expensed	7	**(208)**	–
Exceptional items	7	**(94)**	(2,656)
Group operating loss		**(695)**	(22,595)
Finance cost	8	**(99)**	(5,381)
Finance income	9	**311**	3
Loss before taxation		**(483)**	(27,973)
Taxation	11	**232**	4,538
Loss for the year attributable to equity shareholders		**(251)**	(23,435)
Loss per share (pence)			
Basic and diluted	12	**(0.20)**	(389.40)

1 2017 comparative restated for pass-through revenues and costs upon which Sumo does not make a margin. During the year the Directors reassessed their accounting treatment for certain "pass-through" costs which are recharged at nil margin and concluded that it would be appropriate for these costs to be netted against recharged income. This change in presentation reduced revenue and direct costs for the year ended 31 December 2017 by £2m but had no impact upon gross profit, earnings or financial position.

2 Adjusted EBITDA, which is defined as profit before finance costs, tax, depreciation, amortisation, exceptional items, share-based payment charge, customer revenue included within finance income, accrued royalty not yet received and contingent on future sales and the investment in co-funded games expensed, is a non-GAAP metric used by management and is not an IFRS disclosure.

The notes on pages 58 to 84 form part of these Group financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Loss for the year attributable to equity shareholders	**(251)**	(23,435)
Other comprehensive expense:		
Exchange differences on retranslation of foreign operations	**(48)**	(16)
Total other comprehensive expense	**(48)**	(16)
Total comprehensive expense for the year	**(299)**	(23,451)

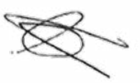
Items in the statement above are disclosed net of tax which is immaterial. The notes on pages 58 to 84 form part of these Group financial statements.

CONSOLIDATED BALANCE SHEET
as at 31 December 2018

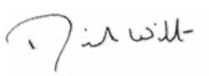
	Note	**2018 £'000**	Restated[1] 2017 £'000
Non-current assets			
Goodwill and other intangible assets	13	**22,378**	28,213
Property, plant and equipment	14	**2,496**	1,835
Deferred tax asset	20	**1,981**	474
Total non-current assets		**26,855**	30,522
Current assets			
Trade and other receivables	16	**25,172**	11,414
Cash and cash equivalents	17	**3,730**	12,424
Total current assets		**28,902**	23,838
Total assets		**55,757**	54,360
Current liabilities			
Trade and other payables	18	**11,050**	12,022
Corporation tax payable		**810**	1,316
Total current liabilities		**11,860**	13,338
Total liabilities		**11,860**	13,338
Net assets		**43,897**	41,022
Equity			
Share capital	23	**1,501**	1,450
Share premium	23	**40,994**	36,121
Reverse acquisition reserve		**(60,623)**	(60,623)
Merger relief reserve		**590**	–
Foreign currency translation reserve		**(21)**	27
Own shares		**(4,919)**	–
Retained earnings		**66,375**	64,047
Total equity		**43,897**	41,022

1 Prior year 2017 restated for a reclassification between trade receivables and trade payables, see notes 16 and 18.

The Group financial statements on pages 54 to 84 were approved by the Board of Directors on 8 April 2019 and were signed on its behalf by:



Carl Cavers
Director



David Wilton
Director

The notes on pages 58 to 84 form part of these Group financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Merger relief reserve £'000	Foreign currency translation reserve £'000	Own shares £'000	Retained earnings £'000	**Total equity £'000**
Balance at 1 January 2017	**45**	**352**	**–**	**–**	**43**	**–**	**(1,385)**	**(945)**
Loss for the year	–	–	–	–	–	–	(23,435)	**(23,435)**
Exchange differences on retranslation of foreign operations	–	–	–	–	(16)	–	–	**(16)**
Total comprehensive expense for the year	–	–	–	–	(16)	–	(23,435)	**(23,451)**
Transactions with owners:								
Issue of shares in year	1	7	–	–	–	–	–	**8**
Issue of shares on conversion of debt	18	28,879	–	–	–	–	–	**28,897**
Issue of shares pre-IPO	1,065	88,867	–	–	–	–	–	**89,932**
Group reorganisation	(64)	(29,238)	(60,623)	–	–	–	–	**(89,925)**
Capital reduction	–	(88,867)	–	–	–	–	88,867	**–**
Issue of shares on IPO	385	38,061	–	–	–	–	–	**38,446**
Expenses of the IPO	–	(1,940)	–	–	–	–	–	**(1,940)**
	1,405	35,769	(60,623)	–	–	–	88,867	**65,418**
Balance at 31 December 2017	**1,450**	**36,121**	**(60,623)**	–	**27**	–	**64,047**	**41,022**
IFRS 15 adoption impact (note 27)	–	–	–	–	–	–	(131)	**(131)**
Restated balance as at 1 January 2018	**1,450**	**36,121**	**(60,623)**	**–**	**27**	**–**	**63,916**	**40,891**
Loss for the year	–	–	–	–	–	–	(251)	**(251)**
Exchange differences on retranslation of foreign operations	–	–	–	–	(48)	–	–	**(48)**
Total comprehensive expense for the year	–	–	–	–	(48)	–	(251)	**(299)**
Transactions with owners:								
Issue of shares in year	50	4,873	–	–	–	–	–	**4,923**
Reserve on issue of shares on acquisition of subsidiary	–	–	–	590	–	–	–	**590**
Share-based payment transactions	–	–	–	–	–	–	2,711	**2,711**
SIP share issues and SIP reserve	1	–	–	–	–	–	(1)	**–**
Acquisition of shares by the Employee Benefit Trust	–	–	–	–	–	(4,919)	–	**(4,919)**
	51	4,873	–	590	–	(4,919)	2,710	**3,305**
Balance at 31 December 2018	**1,501**	**40,994**	**(60,623)**	**590**	**(21)**	**(4,919)**	**66,375**	**43,897**

The notes on pages 58 to 84 form part of these Group financial statements.

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2018

	Note	Year ended 31 December 2018 £'000	Restated[1] Year ended 31 December 2017 £'000
Loss for the financial year		**(251)**	(23,435)
Income tax		**(232)**	(4,538)
Net finance costs		**(212)**	5,378
Operating loss		**(695)**	(22,595)
Depreciation charge (note 14)		**1,104**	669
Amortisation of intangible assets (note 13)		**6,947**	27,626
(Decrease)/Increase in bad debt provision		**(11)**	19
Share-based payments charge		**2,578**	–
Increase in trade and other receivables		**(13,739)**	(916)
(Decrease)/Increase in trade and other payables		**(1,072)**	4,302
Cash flows from operating activities		**(4,888)**	9,105
Net finance costs		**212**	(5,378)
Tax paid		**(1,687)**	(475)
Net cash (used in)/generated from operating activities		**(6,363)**	3,252
Cash flows from investing activities			
Purchase of intangible assets	13	**(513)**	(120)
Purchase of property, plant and equipment	14	**(1,740)**	(1,586)
Acquisition of subsidiary – net of cash acquired	25	**1**	(2,287)
Net cash used in investing activities		**(2,252)**	(3,993)
Cash flows from financing activities			
Proceeds from issue of shares		**–**	67,358
Transaction costs relating to the issue of shares		**–**	(1,940)
Repayments of borrowings	26	**–**	(56,718)
Net cash generated from financing activities		**–**	8,700
Net (decrease)/increase in cash and cash equivalents		**(8,615)**	7,959
Cash and cash equivalents at the beginning of the year		**12,424**	4,482
Foreign exchange		**(79)**	(17)
Cash and cash equivalents at the end of the year		**3,730**	12,424

1 Prior year 2017 restated for a reclassification between trade receivables and trade payables, see notes 16 and 18.

The notes on pages 58 to 84 form part of these Group financial statements.

1 GENERAL INFORMATION

Sumo Group plc (the "Company") is registered in England and Wales as a public limited company. The address of its registered office is 32 Jessops Riverside, Brightside Lane, Sheffield S9 2RX.

The principal activity of the Company and its subsidiaries (together the "Group") is that of video games development.

The Group financial statements present 12 months' results for the year ended 31 December 2018, and were approved by the Directors on 8 April 2019.

The Company financial statements are on pages 85 to 90.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's principal accounting policies, all of which have been applied consistently to all the periods presented, are set out below.

Basis of preparation
The Group financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS"), International Financial Reporting Standards Interpretation Committee ("IFRS IC") interpretations and those provisions of the Companies Act 2006 applicable to companies reporting under IFRS. The Group financial statements have been prepared on the going concern basis and on the historical cost convention modified for the revaluation of certain financial instruments.

The preparation of Group financial statements in conformity with IFRS requires the use of certain critical accounting estimates, which are outlined in the critical accounting estimates and judgements section of these accounting policies. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Going concern
These Group financial statements have been prepared on the going concern basis.

The Directors have reviewed the forecasts for the years ending 31 December 2019 and 31 December 2020 and consider the forecasts to be prudent and have assessed the impact of them on the Group's cash flow, facilities and headroom within its banking covenants. Furthermore, the Directors have assessed the future funding requirements of the Group and compared them with the level of available borrowing facilities. Based on this work, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Standards, amendments and interpretations adopted during the year:
In these financial statements the Group has, with effect from 1 January 2018, adopted IFRS 9 and IFRS 15.

IFRS 9 "Financial Instruments" replaced IAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets. When adopting IFRS 9, the Group has applied transitional relief and opted not to restate prior periods. No differences arose on the transition to IFRS 9.

IFRS 15 "Revenue from Contracts with Customers" and the related "Clarifications to IFRS 15 Revenue from Contracts with Customers" (hereinafter referred to "IFRS 15"), replace IAS 18 "Revenue", IAS 11 "Construction Contracts" and several revenue related interpretations. The new standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 January 2018. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018. Two transition differences noted for IFRS 15 are the separation of the financing element of one specific contract where the payment profile extends beyond 12 months and the recognition of variable consideration (note 27). The transaction price from this contract has been adjusted for the length of time between the period the services are transferred to the customer and payment date, and the prevailing interest rate of 6%. The use of the 6% rate in this instance is considered to be a key judgement. Otherwise there are no new standards that have become effective in the period that have had a material effect on the Group's financial statements.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES CONTINUED

Standards, amendments and interpretations which are not effective or early adopted:
At the date of authorisation of the Group financial statements, the following new standards and interpretations which have not been applied in this financial information were in issue but not yet effective:

- IFRS 16 "Leases"

The new accounting standard is effective for years commencing on or after 1 January 2019.

Under the new standard, the distinction between operating and finance leases is removed and most leases will be brought onto the statement of financial position, as both a right-of-use asset and a largely offsetting lease liability. The right-of-use asset will be depreciated in accordance with IAS 16 "Property, Plant and Equipment" and the liability will be increased for the accumulation of interest and reduced by lease payments. There will be no impact on cash flow.

The Company has opted not to early adopt IFRS 16 and prior year financial information will not be restated resulting in no impact on retained earnings on transition. We do not intend to grandfather the lease definition as it has no material impact on our lease population.

A key judgement associated with the adoption of this standard is the identification of the discount rate to be used to calculate the present value of the future lease payments on which the reported lease liability and right-of-use asset are based.

We intend to use the modified retrospective transitional approach meaning that the right of use asset and the lease liability are brought onto the balance sheet using the discount rate applicable at the transition date. The discount rate will therefore be based on the incremental cost of borrowing as at 1 January 2019 where an interest rate is not implicit in the lease contract.

The Company plans to make use of the available exemptions and expedients where applicable. Given the current information available, however, we expect that we will only apply the low value leases exemption and the expedient for leases with a short remaining term although this will remain under review.

Note 30 provides a disclosure of the potential impact of IFRS 16.

Basis of consolidation
Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date control ceases.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

Revenue
Revenue arises from the provision of game development services. To determine whether to recognise revenue, the Group follows a five-step process as follows:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Revenue is measured at transaction price, stated net of VAT and other sales related taxes.

During the year the Directors reassessed their accounting treatment for certain "pass-through" costs which are recharged at nil margin and concluded that it would be more appropriate for these costs to be netted against the recharged income. This change in presentation has reduced revenue and direct costs for the year ended 31 December 2017 by £2m but had no impact upon reported gross profit, earnings or financial position.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES CONTINUED

Third party funded game development
There is generally one performance obligation with customers, being the development of a completed project or game and, as such, the transaction price is allocated to the single distinct performance obligation. The transaction price is set out in the contract and is made up of fixed elements in the form of the development fee and guaranteed royalties and variable elements in the form of future royalties. At inception of each contract the Group begins by estimating the amount of the royalty to be received generally using the "expected value amount" approach. This amount is then included in the Group's estimate of the transaction price only to the extent that it is highly probable that a significant reversal of revenue will not occur once any uncertainty surrounding the royalty is resolved. In making this assessment, the Group considers the length of the royalty period, the extent of external factors including how the publisher brings the game to market, expected critic scores and other expected game launches. The highly probable nature of the variable consideration is reviewed for each game at each reporting cycle.

As the Group's development activity creates and enhances the game that the customer controls as the game is developed, revenue is recognised over time as the Group satisfies performance obligations by transferring the promised services to its customers in accordance with paragraph 35(b) of IFRS 15. The amount of revenue to recognise is determined based upon the input method that calculates actual costs incurred relative to the total budgeted costs for the project based upon a percentage of completion calculation.

Estimates of revenues, costs or the extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known.

Where the original contract is modified, for example for a change to the scope or price of the contract, the nature of modification is considered as to whether it gives rise to a performance obligation distinct from the promises in the original contract. In cases where the modification gives rise to a distinct performance obligation, the modification is treated as a new contract in its own right and the five-step model considered for this new contract. Where it does not, the modification is accounted for as if it was part of the original contract. The effect that the modifications have on the transaction price and the measure of progress towards the complete satisfaction of the performance obligation is recognised as an adjustment to revenue at the date of the contract modification. The adjustment to revenue is made on a cumulative catch-up basis.

The fixed elements of the transaction price are invoiced based upon a payment schedule. If the services rendered by the Group exceed the payments, a contract asset for amounts recoverable on contracts is recognised. If the payments exceed the services rendered, a contract liability representing advances for game development is recognised.

There is one contract at 31 December 2018 that contains a financing component where the customer receives a benefit from the Group financing the transfer of services to the customer, generally over a period of time extending beyond 12 months. For arrangements with a significant financing component the transaction price is adjusted for both the length of time between when the Group delivers the services and when the customer pays for those services, and the effects of the time value of money using prevailing interest rates.

When determining what rate to use, management considers the rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception taking into account the credit characteristics of the customer.

Licensing revenues
Should the Group develop its own games, it may opt to license the game to publishers. There is generally a single performance obligation to grant a licence over the developed game. The transaction price includes only fixed elements, typically in the form of a guaranteed royalty. Revenue is recognised at a point in time when the completed game is delivered and the customer has the right to use the asset. As the fixed element of the transaction price will be recognised in advance of payments being received, a contract asset will be recognised. Game revenues from the right to use asset will be recognised as earned, based upon the future sales of the game in accordance with paragraphs B63-B63B of IFRS 15.

Own-IP
The Group also creates its own concepts and IP. No revenue is recognised during the development phase. Once the game is completed and launched the Group recognises the revenues as they are earned (at a point in time).

EBITDA and Adjusted EBITDA
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) and Adjusted EBITDA are non-GAAP measures used by management to assess the operating performance of the Group. Exceptional items, the impact of IFRS 15 adoption and the investment in co-funded games expensed are excluded from EBITDA to calculate Adjusted EBITDA. For further explanation and details see note 29 and the consolidated income statement.

The Directors primarily use the Adjusted EBITDA measure when making decisions about the Group's activities. As these are non-GAAP measures, EBITDA and Adjusted EBITDA measures used by other entities may not be calculated in the same way and hence may not be directly comparable.

Foreign currency
Transactions in foreign currencies are translated into the Group's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss.

On consolidation, the assets and liabilities of foreign operations which have a functional currency other than sterling are translated into sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of these subsidiary undertakings are translated at average rates applicable in the period. All resulting exchange differences are recognised in other comprehensive income and documented in a separate component of equity.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES CONTINUED

Classification of instruments issued by the Group
Instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the items are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation is provided on the following basis:

Leasehold improvements	Over period of lease
Fixtures and fittings	25% straight line
Computer hardware	50% straight line

It has been assumed that all assets will be used until the end of their economic life. Freehold land is not depreciated.

Intangible assets
All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately, or which arise from legal or contractual rights regardless of whether those rights are separable, and are initially recognised at fair value.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Computer software purchased separately, that does not form an integral part of related hardware, is capitalised at cost. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite and is presented within operating expenses. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use.

The estimated useful lives are as follows:

Customer relationships	2 years
Customer contracts	Over period of contract
Software	2 years

Impairment
For goodwill that has an indefinite useful life, the recoverable amount is estimated annually. For other assets, the recoverable amount is only estimated when there is an indication that an impairment may have occurred. The recoverable amount is the higher of fair value less costs to sell and value in use.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash–generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES CONTINUED

Post-employment benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Operating lease payments

Operating leases are leases in which substantially all the risks and rewards of ownership related to the asset are not transferred to the Group.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss over the term of the lease, as an integral part of the total lease expense.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except to the extent that it arises on:

- the initial recognition of goodwill where the initial recognition exemption applies;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination;
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset in respect of tax losses is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Video Games Tax Relief

Video Games Tax Relief has only been recognised where management believe that a tax credit will be recoverable based on their experience of obtaining the relevant certification and the success of similar historical claims. Such credits are recognised as part of direct costs in order to reflect the substance of these credits to the Group and cash flows are presented within operating activities. The debit is recorded on the balance sheet as "VGTR recoverable" within current assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank borrowings that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Trade and other receivables

Trade and other receivables are initially recorded at fair value and thereafter are measured at amortised cost using the effective interest rate. A loss allowance for expected credit losses is recognised based upon the lifetime expected credit losses in cases where the credit risk on trade and other receivables has increased significantly since initial recognition. In cases where the credit risk has not increased significantly, the Group measures the loss allowance at an amount equal to the 12-month expected credit loss. This assessment is performed on a collective basis considering forward-looking information.

Financial derivatives

The Group uses derivative financial instruments to hedge its exposure to risks arising from operational activities, principally foreign exchange risk. In accordance with treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. The Group does not hedge account for these items. Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists. At certain times the Group has foreign currency forward contracts that fall into this category.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES CONTINUED

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

Trade and other payables
Trade payables are initially recorded at fair value and thereafter at amortised cost using the effective interest rate method.

Segmental reporting
The Group reports its business activities in one area: video games development, which is reported in a manner consistent with the internal reporting to the Board of Directors, which has been identified as the chief operating decision maker. The Board of Directors consists of the Executive Directors and the Non-Executive Directors.

Exceptional costs
The Group presents as exceptional costs on the face of the income statement, those significant items of expense, which, because of their size, nature and infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the period. This facilitates comparison with prior periods and trends in financial performance more readily. Such costs include professional fees and other costs, directly related to the purchase of businesses.

Share capital
Share capital represents the nominal value of shares that have been issued.

Share premium
Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Reverse acquisition reserve
The reverse acquisition reserve was created as a result of the share for share exchange under which Sumo Group plc became the parent undertaking prior to the IPO. Under merger accounting principles, the assets and liabilities of the subsidiaries were consolidated at book value in the Group financial statements and the consolidated reserves of the Group were adjusted to reflect the statutory share capital, share premium and other reserves of the Company as if it had always existed, with the difference presented as the reverse acquisition reserve.

Merger relief reserve
Represents the difference between the fair value and nominal value of shares issued on acquisition of a Group subsidiary.

Foreign currency translation reserve
Represents the exchange differences on retranslation of foreign operations.

Own shares
The Group holds shares in an Employee Benefit Trust. The consideration paid for the purchase of these shares is recognised directly in equity. Any disposals are calculated on a weighted average method with any gain or loss being recognised through reserves.

The assets and liabilities of the Employee Benefit Trust ("EBT") have been included in the Group financial statements. Any assets held by the EBT cease to be recognised on the Group balance sheet when the assets vest unconditionally in identified beneficiaries. The cost of purchasing own shares held by the EBT is shown as a deduction within shareholders' equity. The proceeds from the sale of own shares are recognised in shareholders' equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the income statement.

Retained earnings
Retained earnings includes all current period retained profits.

Direct costs
Included within direct costs are all costs in connection with the development of games, including an allocation of studio management costs. Video Games Tax Relief is presented within direct costs as it is directly related to the level of expenditure incurred. See note 6.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES CONTINUED

Share-based payments
The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans are cash-settled.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values using the Monte Carlo and Black Scholes models.

Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions). The fair value of the options, appraised at the grant date, includes the impact of market based vesting conditions.

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings. Where vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Accounting estimates
Impairment of goodwill and other intangible assets
The carrying amount of goodwill is £21,379,000 (2017: £20,791,000) and the carrying amount of other intangible assets is £999,000 (2017: £7,422,000) as at 31 December 2018. The Directors are confident that the carrying amount of goodwill and other intangible assets is fairly stated and have carried out an impairment review. The forecast cash generation for the Cash-Generating Unit (CGU) and the Weighted Average Cost of Capital (WACC) represent significant assumptions and should the assumptions prove to be incorrect there would be a significant risk of a material adjustment within the next financial year.

The cash flows are based on a three-year forecast with growth rates between 17% and 36%. Subsequent years are based on a reduced growth rate of 2.0% into perpetuity.

The discount rate used was the Group's pre-tax WACC of 12%. The WACC used for the impairment review is reflective of the industry sector WACC rather than the WACC used in investment decisions.

Given the significant headroom in the carrying value of goodwill compared to the calculation of the net present value of the future cash flows, and bearing in mind the market value of the Group, the Directors cannot foresee a reasonable downside scenario in which the goodwill would be impaired in the foreseeable future and hence detailed sensitivity disclosures have not been presented.

Accounting judgements
Judgements in applying accounting policies and key sources of estimation uncertainty
In the preparation of the Group financial statements, the Directors, in applying the accounting policies of the Group, make some judgements and estimates that affect the reported amounts in the financial statements. The following are the areas requiring the use of judgement and estimates that may significantly impact the financial statements.

Goodwill and intangible assets arising on acquisition
The process of estimating the value of customer contracts and customer relationships on acquisition includes an element of forecasting and judgement. The Directors review customer contracts and customer relationships on an annual basis which also involves an element of judgement as to the length of the contract and relationship. These judgements concerning the length of customer contracts and relationships have largely resolved during 2018 as the balances naturally unwind through the amortisation charge, given the relatively short length of the customer contracts. Details of the period end impairment review of goodwill have been disclosed in note 13 to the financial statements.

3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES CONTINUED

Revenue recognition on development contracts
There are a number of judgements in respect of the recognition of revenue on development contracts, including:

- the determination of the number of distinct separate performance obligations in a contract. This is based upon judgement around whether the customer can benefit from the use of the service on its own or together with other resources that are readily available to it, and also whether the promise to transfer the service is separately identifiable from other promises in the contract. As explained in the accounting policy for revenue, there tends to be one distinct performance obligation, being the development of a completed project or game;
- whether the Group transfers control of the game over time, and therefore satisfies the performance obligation and recognises revenue over time. This requires judgement as to whether the customer controls the game as it is created and enhanced. As the customer approves the development work as it progresses, and is involved in directing the development activity, it is generally considered that control is transferred over time and revenue is recognised accordingly;
- recognition over time is determined based upon judgement and estimates on the overall contract margin and percentage of completion of the contract at each period end. These judgements are based on contract value, historical experience and forecasts of future outcomes. These include specific judgement in respect of contracts for which variations may be in the process of being negotiated, and so the contracts are accounted for on the basis of the best estimate of the revenue expected to be received on the contract, which are all expected to be resolved relatively shortly after the financial year end;
- for revenue contracts with a significant financing component the transaction price is adjusted for both the length of time between when the Group delivers the services and when the customer pays for those services, and the effects of the time value of money using prevailing interest rates. When determining what rate to use, management consider the rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception taking into account the credit characteristics of the customer. This involves a certain degree of judgement;
- variable consideration is constrained on contract inception until the time at which it is considered highly probable that the revenue will not reverse in future periods. As this determination includes a number of factors outside the control of the Group, it is inherently difficult to estimate, and may result in revenues being recognised in a later period than when the performance obligations were satisfied.

Video Games Tax Relief
The process of claiming Video Games Tax Relief requires estimates to be accrued at the period end. Whilst the Company undertakes a detailed exercise involving external professional support in calculating the accrual, these claims are subject to review and approval by HMRC prior to payment. It is also in the Directors' judgement that presenting Video Games Tax Relief as a deduction from direct costs best reflects the substance and nature of these credits. See note 6.

4 SEGMENTAL REPORTING

The trading operations of the Group are only in video games development and are all continuing. This includes the activities of Sumo Digital Limited, Mistral Entertainment Limited, Sumo Video Games Private Limited, Cirrus Development Limited, Sumo Digital (Genus) Limited, Sumo Digital (Atlantis) Limited, Atomhawk Design Limited, Atomhawk Canada Limited and The Chinese Room Limited. The central activities, comprising services and assets provided to Group companies, are considered incidental to the activities of this single segment and have therefore not been shown as a separate operating segment but have been subsumed within video games development. All assets of the Group reside in the UK, with the exception of non-current assets with a net book value of £397,000 (2017: £400,000) which were located in India and Canada.

Major clients
In 2018 there were four major clients that individually accounted for at least 10% of total revenues (2017: three clients). The revenues relating to these clients in 2018 were £8.1m, £6.6m, £5.7m and £5.1m (2017: £7.7m, £4.7m, and £3.2m).

Analysis of revenue
The amount of revenue from external customers can be disaggregated by location of the customers as shown below:

	Year ended 31 December 2018 £'000	Restated Year ended 31 December 2017 £'000
UK & Ireland	**14,775**	9,237
Europe	**7,935**	10,861
Rest of the World	**15,986**	8,493
	38,696	28,591

4 SEGMENTAL REPORTING CONTINUED

Revenue by category

The Group's revenue can be disaggregated by category as shown below:

	Year ended 31 December 2018 £'000	Restated Year ended 31 December 2017 £'000
Development fees		
Video Game Industry	**37,225**	26,282
Art & Leisure	**134**	96
Film & TV	**–**	15
Retail	**134**	25
Total development fees	**37,493**	26,418
Own-IP	**438**	1,695
Royalties	**765**	478
Total revenue	**38,696**	28,591

The above are recognised over time, with the exception of "Own-IP", which is recognised at a point in time.

On third party game development contracts, the estimated transaction price for the performance obligation includes both fixed ('development fees') and variable revenues (such as "royalties") and is reassessed at each reporting date (with changes in the estimate recognised in the income statement), and recognised over time.

2018 "Royalties" of £765,000 include £250,000 (2017: nil) of variable consideration recognised in advance. This is an IFRS 15 adoption requirement, to recognise variable consideration as part of the transaction price to the extent that it is highly probable not to reverse once the uncertainty is resolved in future periods.

The following aggregated amounts of transaction prices relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied at 31 December 2018.

	2019 £'000	2020 £'000
Revenue expected to be recognised	**16,291**	5,389

Assets and liabilities relating to contracts with customers

The Group has recognised the following assets and liabilities relating to contracts with customers:

	Note	2018 £'000	2017 £'000
Contract assets – amounts recoverable on contracts	16	**11,310**	3,461
Contract liabilities – advances for game development	18	**512**	1,259

Contract assets – amounts recoverable on contracts represents contracts whereby the services rendered by the Group at the reporting date exceed the customer payments. The significant increase in 2018 is principally due to the extended payment terms on one particular development contract. Included within the above contract assets are amounts of variable consideration that are highly probable of not reversing of £250,000 (2017: £nil). In the event that this variable consideration is not received, a provision for credit losses will be recorded. There are no provisions for credit losses in respect of contract assets at either year end.

In cases where the payments exceed the services rendered as at the balance sheet date, a contract liability is recognised for advances for game development.

Contract liabilities for 2017 have been restated between this category and Contract assets – amounts recoverable on contracts to better reflect the individual nature of the contracts.

Contract liabilities represent customer payments received in advance of performance obligations that are expected to be recognised as revenue in 2019. These amounts recognised will generally be utilised within the next reporting period.

Amounts recognised in revenue in 2018 relating to performance obligations satisfied in previous periods total £515,000, representing variable consideration in the form of royalties.

5 EMPLOYEES AND DIRECTORS

The average monthly number of persons (including Directors) employed in the Group during the period was:

	Year ended 31 December 2018	Year ended 31 December 2017
Management (Directors)	**5**	4
Non-executives (Directors)	**3**	4
Development	**464**	383
Administration	**80**	53
	552	444

Staff costs (including Directors) are outlined below. Directors' remuneration is also set out in the Remuneration Report:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Wages and salaries	**21,390**	15,785
Share-based payments	**2,578**	–
Defined contribution pension cost	**713**	509
Social security costs	**2,034**	1,497
Other	**14**	9
	26,729	17,800

Key management compensation

The following table details the aggregate compensation paid in respect of the key management, which is considered to be the Board.

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Salaries and other short-term employee benefits	**1,005**	1,152
Post-employment benefits	**20**	37
	1,025	1,189

There are no defined benefit schemes for key management. Pension costs under defined contribution schemes are included in the post-employment benefits disclosed above.

The total remuneration of the Directors of the Company was £1,005,000 (2017: £570,000). The highest paid Director received total emoluments of £439,000 (2017: £308,000).

6 DIRECT COSTS (NET)

	Year ended 31 December 2018 £'000	Restated Year ended 31 December 2017 £'000
Direct costs	**27,191**	23,635
Video Games Tax Relief	**(6,898)**	(8,296)
	20,293	15,339

7 EXPENSES BY NATURE

	Year ended 31 December 2018 £'000	Restated Year ended 31 December 2017 £'000
Exceptional items	**94**	2,656
Employee benefit expense (note 5)	**26,729**	17,800
Depreciation charges (note 14)	**1,104**	669
Amortisation and impairment charges (note 13)	**6,947**	27,626
Operating lease payments	**1,230**	876
Investment in co-funded games expensed	**208**	–
Other expenses	**3,079**	1,559
Total direct costs and operating expenses	**39,391**	51,186

Investment in co-funded games expensed represents the costs incurred by the Group on its percentage of the game development that is considered equivalent to the intangible asset on an own-IP development.

Exceptional items
Exceptional items include external costs in relation to:

- 2017 – the IPO and reorganisation in 2017 which primarily relate to professional fees (£2,453,000)
- 2017 – the acquisition of Atomhawk Design Limited and Atomhawk Canada Limited (£203,000)
- 2018 – the acquisition of The Chinese Room Limited (£94,000)

8 FINANCE COST

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Fair value movement on foreign exchange forward contracts	**–**	(53)
Debt refinancing cost release	**–**	841
Bank and other interest	**99**	4,593
Finance costs	**99**	5,381

9 FINANCE INCOME

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
IFRS 15 financing income	**309**	–
Interest income	**2**	3
Finance income	**311**	3

10 AUDITOR'S REMUNERATION

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor at costs as detailed below:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Fees payable to Company's auditor and its associates for the audit of financial statements	**30**	35
Fees payable to Company's auditor and its associates for other services:		
The audit of subsidiary financial statements	**69**	60
Audit related assurance services	**7**	–
Taxation compliance services	**27**	32
Taxation advisory services	**54**	42
Other assurance services	**20**	24
Acquisition and IPO related	**–**	500

Amounts paid to the Group's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed separately as the information is required to be disclosed on a consolidated basis.

11 TAXATION

Analysis of credit in year

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Current tax		
Current taxation charge for the year	**1,268**	1,080
Adjustments for prior periods	**(128)**	(58)
Total current tax	**1,140**	1,022
Deferred tax		
Origination and reversal of timing differences	**(2,337)**	(5,622)
Adjustments in respect of prior periods	**965**	62
Total deferred tax	**(1,372)**	(5,560)
Tax on loss on ordinary activities	**(232)**	(4,538)
Reconciliation of total tax (credit):		
Loss on ordinary activities before tax	**(483)**	(27,973)
Loss on ordinary activities multiplied by the rate of corporation tax in the UK of 19% (2017: 19.25%)	**(92)**	(5,384)
Effects of:		
Permanent differences	**544**	968
Share-based payments	**37**	–
Fixed asset permanent differences	**15**	(40)
Effects of different tax rates in overseas jurisdictions	**22**	50
Non-taxable income	**(1,663)**	(475)
Effect of change in rates	**68**	339
Adjustments in respect of previous periods	**837**	4
Total taxation (credit)	**(232)**	(4,538)

Taxation on items taken directly to equity was a credit of £132,328 (2017: £nil) and relates to deferred tax on share option schemes.

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These included reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020, and this has been reflected in these financial statements.

12 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the earnings attributable to equity shareholders by the weighted average number of Ordinary Shares in issue.

When calculating basic earnings per share, the weighted average number of shares has been adjusted to exclude shares held in the Employee Benefit Trust (21,235,933 at 31 December 2018 and 16,617,198 at 1 January 2018).

When calculating diluted earnings per share, the weighted average number of shares is adjusted to assume conversion of 3,712,737 (2017: 950,000) of potentially dilutive options granted to employees. The restatement of 2017 figures to include a warrant for 1,450,000 shares issued at the date of the IPO has had no impact upon earnings per share.

The calculation of basic and diluted profit/(loss) per share is based on the following data:

	Year ended 31 December 2018	Restated Year ended 31 December 2017
Earnings (£'000)		
Earnings for the purposes of basic and diluted earnings per share being profit for the year attributable to equity shareholders	**(251)**	(23,435)
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share	**128,560,945**	5,498,686
Weighted average dilutive effect of warrants	**1,450,000**	1,450,000
Weighted average dilutive effect of conditional share awards	**3,712,737**	950,000
Weighted average number of shares for the purposes of diluted earnings per share	**133,723,682**	7,898,686
Earnings/(losses) per Ordinary Share (pence)		
Basic and diluted (loss) per Ordinary Share	**(0.20)**	(389.40)

The effects of share options that could potentially dilute basic earnings per share in the future were not included in the calculation of diluted earnings per share because they are antidilutive for the periods presented.

13 GOODWILL AND OTHER INTANGIBLE ASSETS

	Software £'000	Customer contracts £'000	Customer relationships £'000	Goodwill £'000	Total £'000
Cost					
As at 1 January 2017	249	14,285	21,432	19,225	55,191
Additions	120	–	–	–	120
Arising on acquisition on 29 June 2017	–	437	246	1,566	2,249
As at 31 December 2017	369	14,722	21,678	20,791	57,560
Additions	513	–	–	–	513
Acquisition of subsidiary (note 25)	–	–	–	588	588
As at 31 December 2018	**882**	**14,722**	**21,678**	**21,379**	**58,661**
Amortisation					
As at 1 January 2017	54	952	715	–	1,721
Charge for the year	162	12,646	14,818	–	27,626
As at 31 December 2017	216	13,598	15,533	–	29,347
Charge for the year	163	700	6,084	–	6,947
Effect of translation to presentation currency	(11)	–	–	–	(11)
As at 31 December 2018	**368**	**14,298**	**21,617**	**–**	**36,283**
Net book value					
As at 31 December 2017	153	1,124	6,145	20,791	28,213
As at 31 December 2018	**514**	**424**	**61**	**21,379**	**22,378**

13 GOODWILL AND OTHER INTANGIBLE ASSETS CONTINUED

The cost of customer relationships was determined as at the date of the respective changes in ownership by reference to expected future contracts. The valuations used the discounted cash flow method. The discount rate applied at that time to the future cash flows was 9.75%.

The customer contracts represent contracted revenues. The valuation used the discounted cash flow method, based on estimated profit margins considered on a contract by contract basis. The discount rate applied at that time to the future cash flows was 9.75%.

Goodwill and other intangible assets have been tested for impairment. The method, key assumptions and results of the impairment review are detailed below:

Goodwill is attributed to the only cash-generating unit ("CGU") within the Group, video games development. Goodwill and other intangible assets have been tested for impairment by assessing the value in use of the CGU. The value-in-use calculations were based on projected cash flows in perpetuity. Cash flows were based on a three-year forecast with growth rates between 17% and 36%. Subsequent years were based on a reduced rate of growth of 2.0% into perpetuity.

These growth rates are based on past experience, and market conditions and discount rates are consistent with external information. The growth rates shown are the average applied to the cash flows of the individual CGUs and do not form a basis for estimating the consolidated profits of the Group in the future.

The discount rate used to test the cash-generating units was the Group's pre-tax WACC of 12% (2017: 9.75%).

As a result of these tests no impairment was considered necessary.

All amortisation charges have been treated as an expense and charged to operating expenses in the income statement.

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer hardware £'000	Total £'000
Cost				
As at 1 January 2017	187	113	808	1,108
Additions	607	100	879	1,586
Arising on acquisition on 29 June 2017	–	2	15	17
As at 31 December 2017	794	215	1,702	2,711
Additions	622	413	705	1,740
Transfers	(104)	104	–	–
Acquisition of subsidiary (note 25)	–	2	2	4
As at 31 December 2018	**1,312**	**734**	**2,409**	**4,455**
Depreciation				
As at 1 January 2017	19	16	172	207
Charge for the period	45	54	570	669
As at 31 December 2017	64	70	742	876
Effect of translation to presentation currency	–	–	(21)	(21)
Charge for the period	214	157	733	1,104
As at 31 December 2018	**278**	**227**	**1,454**	**1,959**
Net book value				
As at 31 December 2017	730	145	960	1,835
As at 31 December 2018	**1,034**	**507**	**955**	**2,496**

Depreciation charges are allocated to direct costs and operating expenses in the income statement.

15 INVESTMENTS

Details of the investments in which the Group holds 20% or more of the nominal value of any class of share capital are as follows:

	Class of share capital held	Proportion held: By Parent Company	Proportion held: By the Group	Nature of business
Project Republica Topco Limited	Ordinary	83%	83%	Holding company
Project Republica Bidco Limited	Ordinary	–	83%	Holding company
Sumo Digital Holdings Limited	Ordinary	–	83%	Holding company
Sumo Digital Group Limited	Ordinary	–	83%	Holding company
Sumo Digital Entertainment Limited	Ordinary	–	83%	Holding company
Sumo Digital Limited	Ordinary	–	83%	Video game development
Sumo Digital (Genus) Limited	Ordinary	–	83%	Video game development
Sumo Digital (Atlantis) Limited	Ordinary	–	83%	Video game development
Cirrus Development Limited	Ordinary	–	83%	Video game development
Aghoco 1337 Limited	Ordinary	–	83%	Employee benefit trust trustee
Mistral Entertainment Limited	Ordinary	–	83%	Video game development
Sumo Video Games Private Limited	Ordinary	–	83%	Video game development
Sumo Games Development Limited (formerly Riverside Games Limited)	Ordinary	–	83%	Dormant
Atomhawk Design Limited	Ordinary	–	83%	Visual design
Atomhawk Canada Limited	Ordinary	–	83%	Visual design
The Chinese Room Limited	Ordinary	–	83%	Video game development
Riverside Games Limited (formerly Aghoco 1788 Limited)[1]	Ordinary	–	83%	Dormant
Aghoco 1789 Limited[1]	Ordinary	–	83%	Dormant
Aghoco 1790 Limited[1]	Ordinary	–	83%	Dormant

All the companies listed above are incorporated in England and Wales, and have a registered address of 32 Jessops Riverside, Brightside Lane, Sheffield, S9 2RX, with the following exceptions:

Company	Country of incorporation	Address
Sumo Video Games Private Limited	India	MCCIA Trade Tower, B Building, 205-206, Senapati Bapat Rd, Chattushringi, Gokhalenagar, Pune, Maharashtra 411016
Atomhawk Canada Limited	Canada	Suite 678, 999 Canada Place, Vancouver, British Columbia, V6C 3E1

1 Towards the end of 2018, the Group acquired three new shelf companies which at the 2018 year end remained dormant.

17% of the share of Project Republica Topco Limited is owned by the Group's founder shareholders. These shares are subject to put and call options to be satisfied by shares in Sumo Group plc, held by an employee benefit trust, the Sumo Group plc Employee Benefit Trust, which was set up on 13 December 2017. As such, beneficial control of all entities listed above is considered to remain with the Group. On this basis there has been no accounting for non-controlling interest.

There are no restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group's subsidiaries.

16 TRADE AND OTHER RECEIVABLES

	As at 31 December 2018 £'000	Restated as at 31 December 2017 £'000
Amounts falling due within one year:		
Trade receivables not past due	**5,387**	1,151
Trade receivables past due	**558**	185
Trade receivables past due and impaired	**8**	19
Less provision for trade receivables	**(8)**	(19)
Trade receivables net	**5,945**	1,336
Prepayments and accrued income	**850**	1,654
Other debtors	**542**	304
VGTR recoverable	**6,288**	4,659
Contract assets – amounts recoverable on contracts	**11,310**	3,461
Work in progress on self-published titles	**237**	–
	25,172	11,414

Trade and other receivables are all current and any fair value difference is not material. A loss allowance for expected credit losses is recognised based upon the lifetime expected credit losses in cases where the credit risk on trade and other receivables has increased significantly since initial recognition. In cases where the credit risk has not increased significantly, the Group measures the loss allowance at an amount equal to the 12-month expected credit loss. This assessment is performed on a collective basis considering forward-looking information.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December 2018 £'000	As at 31 December 2017 £'000
Euro	**–**	4
United States Dollar	**111**	178
	111	182

Movements on the Group's provision for impairment of trade receivables are as follows:

	2018 £'000	2017 £'000
At beginning of period	**19**	–
Provision for receivables impairment	**–**	19
Receivables written off during the year as uncollectable	**–**	–
Unused amounts reversed	**(11)**	–
At 31 December	**8**	19

The creation and release of provision for credit losses have been included in 'other expenses' in the income statement (note 7). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets and therefore no provisions for credit losses have been recorded. The Group contracts with customers with very low credit risk and the history of credit losses has been negligible, as demonstrated by the tables above. With this in mind, there is not considered to be any significant degree of judgement in the calculation of credit loss provisions.

The "Contract assets – amounts recoverable on contracts" category for 2017 has been restated to better reflect the individual nature of the contracts between this category and contract liabilities. £1.3m of contractual amounts in advance of revenue have been reclassified (note 18).

17 CASH AND CASH EQUIVALENTS

	2018 £'000	2017 £'000
Cash and cash equivalents		
Cash at bank and in hand	**3,730**	12,424

The following amounts were held in foreign currencies:

	2018 £'000	2017 £'000
British Pound	**3,437**	11,937
Canadian Dollar	**59**	30
United States Dollar	**102**	335
Indian Rupee	**125**	122
Euro	**7**	–
	3,730	12,424

18 TRADE AND OTHER PAYABLES

	2018 £'000	Restated 2017 £'000
Trade payables	**4,639**	2,468
Contract liabilities	**512**	1,259
Tax and social security	**605**	474
Other payables, accruals and deferred income	**5,294**	7,821
	11,050	12,022

The fair value of financial liabilities approximates their carrying value due to short maturities.

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2018 £'000	2017 £'000
British Pound	**10,929**	11,906
Euro	**8**	27
United States Dollar	**97**	25
Indian Rupee	**–**	64
Canadian Dollar	**16**	–
	11,050	12,022

The "Contract liabilities" category for 2017 has been restated to better reflect the individual nature of the contracts between this category and contract assets. £1.3m of contractual amounts in advance of revenue have been reclassified (note 16).

19 SHARE-BASED PAYMENTS

In the year ended 31 December 2018 the Group operated two equity-settled share-based payment plans as described below.

The Group recognised total expenses of £2,578,633 in respect of equity-settled share-based payment transactions in the year ended 31 December 2018.

The Sumo Group plc Long Term Incentive Plan (the "LTIP")
The Group operates a Long-Term Incentive Plan for senior executives, further details of which can be found in the Directors' Remuneration Report in the Group financial statements.

The Group has made awards to certain Directors and employees.

The vesting of most of these awards is subject to the Group achieving certain performance targets under the LTIP, as set out in the Directors' Remuneration Report, and is based on the Group meeting the adjusted earnings per share (AEPS) and (in some cases) total shareholder return (TSR) conditions in the following weightings:

Performance condition	Tier 2-4 participants Proportion of award	Tier 1 participants Proportion of award
Cumulative AEPS	**100%**	**35%**
Cumulative TSR	**–**	**65%**

Details of the maximum total number of Ordinary Shares which may be issued in future periods in respect of awards outstanding at 31 December 2018 are shown below.

	31 December 2018 Number of shares
At 1 January 2018	**950,000**
Granted in the year	**8,897,530**
Lapsed/forfeited in the year	**(266,252)**
At 31 December 2018	**9,581,278**

Options over 3,708,435 shares are subject to both the AEPS and TSR performance conditions and the remainder are subject only to the AEPS performance condition.

The estimate of the fair value of the services received in return for the awards is measured based on the Monte Carlo and Black Scholes models. The aggregate of the estimated fair values of the awards at 31 December 2018 shown above is £0.92. The fair value of the TSR award takes into account the likelihood of achieving the performance conditions.

For awards granted in the current year, the inputs into the Monte Carlo and Black Scholes models are as follows:

	TSR condition 31 December 2018	AEPS condition 31 December 2018
Share price at grant date	**£1.065**	**£1.065 to £1.75**
Exercise price	**£nil**	**£nil**
Expected volatility	**38%**	**–**
Expected life	**3 years**	**3 years**
Expected dividend yield	**0%**	**–**
Risk-free interest rate	**0.86%**	**–**
TSR performance to date of calculation	**(5.1)%**	**–**
Fair value per option	**£0.31**	**£1.065 to £1.75**

Expected volatility was determined using the median volatility of comparator sector companies. 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.

19 SHARE-BASED PAYMENTS CONTINUED

Share Incentive Plan (SIP)
The Group operates an all-employee share ownership plan. Under the SIP, the Group has made awards of conditional shares to certain employees.

Details of the maximum total number of Ordinary Shares which may be issued in future periods in respect of conditional share awards outstanding at 31 December 2018 are shown below.

	31 December 2018 Number of conditional shares
At 1 January 2018	**–**
Granted in the year	**92,287**
Lapsed/forfeited in the year	**(6,200)**
At 31 December 2018	**86,087**

The estimate of the fair value of the services received in return for the conditional share awards is measured based on a Black Scholes model. The aggregate of the estimated fair values of the awards at 31 December 2018 shown above is £1.73, before taking into account the likelihood of achieving non-market-based performance conditions.

For awards granted in the 2018 year, the inputs into the Black Scholes model are as follows:

	31 December 2018
Share price at grant date	**£1.24 to £1.75**
Exercise price	**£nil**
Expected volatility	**–**
Expected life	**3 years**
Expected dividend yield	**–**
Risk-free interest rate	**–**
Fair value per option	**£1.24 to £1.75**

Expected volatility was determined using the median volatility of comparator sector companies. 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.

20 DEFERRED TAX

	2018 £'000	2017 £'000
Asset/(liability) at beginning of period	**474**	(4,963)
Credit to income statement	**1,372**	5,560
Credit to equity	**132**	–
Foreign exchange adjustments	**4**	–
On acquisition of subsidiary	**(1)**	(123)
Asset at 31 December	**1,981**	474

The deferred tax asset/(liability) relates to the following:

	2018 £'000	2017 £'000
Accelerated capital allowances on property, plant and equipment	**39**	17
On intangible assets	**(63)**	(1,284)
On share-based payments	**586**	–
On losses	**1,419**	1,741
	1,981	474

21 COMMITMENTS AND CONTINGENCIES

	As at 31 December 2018 £'000	As at 31 December 2017 £'000
Capital commitments		
Contracted for but not provided in the financial statements	**94**	693
Operating lease commitments		
Within 1 year	**955**	825
Later than 1 year and less than 5 years	**2,604**	2,949
After 5 years	**2,340**	3,002
	5,899	6,776

The Group leases various office units under non-cancellable operating lease agreements. The lease terms are between one month and 15 years.

The Group also leases various plant and machinery and vehicles, with terms between six months and four years. The lease expenditure charged to the income statement during the year is disclosed in note 7.

22 FINANCIAL RISK MANAGEMENT

The Group uses various financial instruments. These include loans, cash, forward foreign exchange contracts, issued equity investments and various items, such as trade receivables and trade payables, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below.

The main risks arising from the Group's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Market risk
Market risk encompasses three types of risk, being currency risk, interest rate risk and price risk. In this instance price risk has been ignored as it is not considered a material risk to the business. The Group's policies for managing interest rate risk are set out in the subsection entitled "interest rate risk" below.

Currency risk
The Group contracts with certain clients in Euros and US Dollars and manages this foreign currency risk using forward foreign exchange contracts which match the expected receipt of foreign currency income.

Liquidity risk
The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs by closely managing the cash balance and by investing cash assets safely and profitably.

The Group policy throughout the period has been to ensure continuity of funding. Short-term flexibility is achieved by revolving working capital facilities.

The table below analyses the Group's non-derivative and derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2018	**Less than 1 year £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Borrowings	**–**	**–**	**–**	**–**
Forward foreign exchange contracts	**–**	**–**	**–**	**–**
Trade and other payables	**11,050**	**–**	**–**	**–**

At 31 December 2017	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings	–	–	–	–
Forward foreign exchange contracts	–	–	–	–
Trade and other payables	11,997	–	–	25

22 FINANCIAL RISK MANAGEMENT CONTINUED

Interest rate risk

The Group finances its operations through a mixture of retained profits, bank borrowings and loan notes. The Directors' policy to manage interest rate fluctuations is to regularly review the costs of capital and the risks associated with each class of capital, and to maintain an appropriate mix between fixed and floating rate borrowings.

Sensitivity to interest rate fluctuations

As the debt was settled as part of the IPO proceeds there is minimal interest rate risk and therefore sensitivity to interest rate disclosures have not been made.

Credit risk

The Group's principal financial assets are cash and trade receivables. The credit risk associated with cash is limited, as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from the Group's trade receivables. In order to manage credit risk the Directors set limits for clients based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

The Directors consider that certain of the Group's trade receivables were impaired for the period ended 31 December 2018 and, accordingly, a provision of £8,000 has been created. See note 16 for further information on financial assets that are past due.

Summary of financial assets and liabilities by category

The carrying amount of financial assets and liabilities recognised at the balance sheet date of the reporting periods under review may also be categorised as follows:

	As at 31 December 2018 £'000	As at 31 December 2017 £'000
Financial assets		
Trade and other receivables	**6,487**	1,640
Amounts recoverable on contracts	**11,310**	3,461
Cash and cash equivalents	**3,730**	12,424
	21,527	17,525
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade and other payables	**(11,050)**	(12,022)
	(11,050)	(12,022)
Net financial assets and liabilities	**10,477**	5,503
Non-financial assets and liabilities		
Plant, property and equipment	**2,496**	1,835
Goodwill	**21,379**	20,791
Other intangible assets	**999**	7,422
Prepayments and accrued income	**850**	1,654
Work in progress on self-published titles	**237**	–
VGTR recoverable	**6,288**	4,659
Corporation tax payable	**(810)**	(1,316)
Provisions for deferred tax	**1,981**	474
	33,420	35,519
Total equity	**43,897**	41,022

22 FINANCIAL RISK MANAGEMENT CONTINUED

Capital management policies and procedures
The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

This is achieved through close management of working capital and regular reviews of pricing. Decisions on whether to raise funding using debt or equity are made by the Board based on the requirements of the business.

Capital for the reporting period under review is shown as total equity in the table above.

23 SHARE CAPITAL

	Ordinary Shares 0.01	Total share capital £'000	Share premium £'000
At 31 December 2017	145,000,000	1,450	36,121
Issue of shares in the year	5,068,507	51	4,873
At 31 December 2018	**150,068,507**	**1,501**	**40,994**

During 2018, 4,711,022 shares were issued in relation to share-based payments (see note 19 "Share-based payments" for details on the Group's share-based employee remuneration programmes). Of these 4,618,735 were issued to the Employee Benefit Trust and 92,287 to the SIP trust.

On 13 August 2018, 357,485 shares were issued in relation to the purchase of The Chinese Room (see note 25 Business combinations).

When calculating basic earnings per share, the weighted average number of shares has been adjusted to exclude shares held in the Employee Benefit Trust (21,235,933 at 31 December 2018 and 16,617,198 at 1 January 2018).

24 RELATED PARTY TRANSACTIONS

Identity of related parties
The Directors consider there to be no ultimate controlling party during the period. Related parties include representatives of major shareholders and parent and intermediate parent entities ultimately owned by the same shareholders.

There were no related party transactions during the year.

In 2017, there were related party purchases of £306,000 with balances due at year end of £6,000. In addition, interest on loans from related parties of £2,921,000 was charged throughout the period.

Key management compensation is disclosed in note 5.

25 BUSINESS COMBINATIONS

Acquisition of The Chinese Room Limited

Under an agreement dated 13 August 2018, the Group acquired the share capital of The Chinese Room Limited, a video development company registered in the United Kingdom, for consideration of £2.2m.

The book and fair values of the assets and liabilities acquired are set out below:

	Book value recognised at acquisition £'000	Fair value adjustments £'000	Fair value £'000
Assets			
Property, plant and equipment	4	–	4
Trade and other receivables	139	–	139
Cash and cash equivalents	1,619	–	1,619
	1,762	–	1,762
Liabilities			
Corporation tax payable	(37)	–	(37)
Trade and other payables	(100)	–	(100)
Deferred tax	(1)	–	(1)
	(138)	–	(138)
			1,624
Goodwill			588
			2,212

Summary of net cash inflow from acquisition	
Cash paid	1,618
Cash acquired	(1,619)
Cash consideration transferred	(1)

Purchase consideration	
Cash paid	1,618
Ordinary Shares issued	594
Total purchase consideration	2,212
Acquisition costs charged to expenses	94

Consideration transferred

The acquisition of The Chinese Room was settled in cash amounting to £1.6 million and approximately £0.6 million through the issue of 357,485 new Ordinary Shares in Sumo Group ("Consideration Shares") to the Sellers on completion. The Consideration Shares will be subject to a 12-month lock up period, during which time (subject to customary exceptions) such shares cannot be disposed of without Sumo Group consent, and thereafter to orderly market provisions for a further 12 months.

Acquisition related costs amounting to £94,000 are not included as part of consideration transferred and have been recognised as an expense in the income statement as part of operating expenses – exceptional.

Goodwill

Goodwill of £588,000 is primarily related to growth, technical knowledge and market diversification. Other intangible assets, including IP at "concept phase" at the point of acquisition had a fair value of £nil.

Contribution to the Group results

The Chinese Room Limited generated a loss of £21,000 for the five months from acquisition. Revenue for the period was £7,000. If The Chinese Room Limited had been acquired at the beginning of the period then revenue would have increased by £19,000 and loss decreased by £8,000.

26 NOTES TO THE CASH FLOW STATEMENT

	As at 1 January 2017 £'000	Cash flows £'000	As at 31 December 2017 £'000
Non-current borrowings	52,630	(52,630)	–
Current borrowings	4,088	(4,088)	–
	56,718	(56,718)	–

27 IFRS 15 ADOPTION IMPACT

In 2018, the Group has adopted new guidance for the recognition of revenue from contracts with customers (IFRS 15). The new standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 January 2018. Consequently, the comparative numbers are not restated.

Two transition differences noted for IFRS 15 are the separation of the financing element of one specific contract where the payment profile extends beyond 12 months and the recognition of variable consideration.

The financial impact to revenue, interest and retained profits is set out below:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Customer revenue included within finance income	**(421)**	(183)
Accrued royalty not yet received and contingent on future sales	**250**	–
Increase in interest income	**309**	52
Credit/(debit) to retained earnings	**138**	(131)

The 2017 debit to retained earnings has resulted in a restated retained earnings balance as at 1 January 2018 of £63,916,000.

The financial impact of the adoption of IFRS 15 on the 2018 income statement is set out below:

	Pre-IFRS 15 Year ended 31 December 2018 £'000	IFRS 15 adoption adjustments		Post-IFRS 15 Year ended 31 December 2018 £'000
		Customer revenue £'000	Accrued royalty £'000	
Revenue	**38,867**	**(421)**	**250**	**38,696**
Direct costs	(27,191)	–	–	(27,191)
Video Games Tax Relief	6,898	–	–	6,898
Direct costs (net)	(20,293)	–	–	(20,293)
Gross profit	**18,574**	**(421)**	**250**	**18,403**
Operating expenses	(19,004)	–	–	(19,004)
Operating expenses – exceptional	(94)	–	–	(94)
Operating expenses – total	(19,098)	–	–	(19,098)
Group operating loss	**(524)**	**(421)**	**250**	**(695)**
Finance cost	(99)	–	–	(99)
Finance income	2	309	–	311
Loss before taxation	**(621)**	**(112)**	**250**	**(483)**
Taxation	258	21	(47)	232
Profit/(loss) for the year attributable to equity shareholders	**(363)**	**(91)**	**203**	**(251)**

28 POST BALANCE SHEET EVENTS

On 31 January 2019, the Group acquired Red Kite Games Limited for a total consideration of circa £2.0 million. The net consideration is circa £1.5 million, as Red Kite had circa £0.5 million of cash on the balance sheet at the date of acquisition. The Company will continue to operate under the Red Kite name, as a wholly owned subsidiary of Sumo Digital Limited.

The draft book and fair values of the assets and liabilities acquired are set out below:

	Book value recognised at acquisition £'000	Fair value adjustments £'000	Fair value £'000
Assets			
Property, plant and equipment	39	(13)	26
Trade and other receivables	202	–	202
Cash and cash equivalents	547	(5)	542
	788	(18)	770
Liabilities			
Corporation tax payable	(23)	–	(23)
Trade and other payables	(27)	(97)	(124)
Deferred tax	(2)	–	(2)
	(52)	(97)	(149)
			621
Goodwill			1,384
			2,005

Summary of net cash inflow from acquisition	
Cash paid	505
Cash acquired	(542)
Cash consideration transferred	(37)

Purchase consideration	
Cash paid	505
Ordinary Shares issued	1,500
Total purchase consideration	2,005

Acquisition costs charged to expenses	–

29 ALTERNATIVE PERFORMANCE MEASURES

	Audited year ended 31 December 2018 £'000	Customer revenue included within finance income £'000	Accrued royalty not yet received and contingent on future sales £'000	Deferred costs on co-funded contracts £'000	**Adjusted year ended 31 December 2018 £'000**
Revenue	**38,696**	421	(250)	–	**38,867**
Gross profit	**18,403**	421	(250)	208	**18,782**

	Audited year ended 31 December 2017 £'000	Customer revenue included within finance income £'000	Accrued royalty not yet received and contingent on future sales £'000	Deferred costs on co-funded contracts £'000	Adjusted year ended 31 December 2017 £'000
Revenue	28,591	–	–	–	28,591
Gross profit	13,252	–	–	–	13,252

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Adjusted EBITDA		
Group operating loss	**(695)**	(22,595)
Add back/(deduct):		
Depreciation and amortisation charges	**8,051**	28,295
Share-based payments charge	**2,578**	–
Customer revenue included within finance income	**421**	–
Accrued royalty not yet received and contingent on future sales	**(250)**	–
Investment in co-funded games expensed	**208**	–
Exceptional items	**94**	2,656
Adjusted EBITDA	**10,407**	8,356

Adjusted EBITDA, which is defined as profit before finance costs, tax, depreciation, amortisation, share-based payments charge, customer revenue included within finance income, accrued royalty not yet received and contingent on future sales, Sumo's investment in co-funded games expensed and exceptional items, is a non-GAAP metric used by management and is not an IFRS disclosure.

29 ALTERNATIVE PERFORMANCE MEASURES CONTINUED

Reconciliation to unaudited underlying income statement

	Reported 2018 £'000	Revenue margin adjustments[1] £'000	Adjustments £'000	**Unaudited underlying 2018 £'000**	Reported 2017 £'000	Adjustments £'000	Unaudited underlying 2017 £'000
Revenue	**38,696**	171	–	**38,867**	28,591	–	28,591
Gross profit	**18,403**	171	208	**18,782**	13,252	–	13,252
Operating expenses excluding depreciation, amortisation, share-based payment charge, exceptional items, the impact of IFRS adoption and investment in co-funded games expensed	**(7,996)**	(171)	(208)	**(8,375)**	(4,896)	–	(4,896)
Adjusted EBITDA	**10,407**	–	–	**10,407**	8,356	–	8,356
Depreciation	**(1,104)**	–	–	**(1,104)**	(669)		(669)
Net finance costs	**212**	(309)	–	**(97)**	(5,378)	5,378	–
Customer revenue included within finance income	**(421)**	421	–	**–**	–	–	–
Accrued royalty not yet received and contingent on future sales	**250**	(250)	–	**–**	–	–	–
Investment in co-funded games expensed	**(208)**	208	–	**–**	–	–	–
Amortisation of software	**(163)**	–	–	**(163)**	(162)	–	(162)
Adjusted profit before tax, share-based payment charge, exceptional items and amortisation of customer contracts and customer relationships	**8,973**			**9,043**	2,147		7,525
Operating expenses – exceptional	**(94)**				(2,656)		
Share-based payment charge	**(2,578)**				–		
Amortisation of customer contracts and customer relationships	**(6,784)**				(27,464)		
Loss before taxation	**(483)**				(27,973)		

1 The revenue margin adjustments are made up of customer revenue included within finance income, accrued royalty income not yet received and contingent on future sales, investment in co-funded games expensed and net financing costs.

The adjustment in 2018 in respect of gross margin is in relation to Sumo's investment in co-funded games, which for statutory purposes is expensed.

The adjustment in 2017 in respect of interest cost is to reflect the ungeared structure of the Group as it is following the IPO in December 2017.

30 IFRS 16

The new accounting standard IFRS 16 Leases is effective for years commencing on or after 1 January 2019.

A disclosure of the one potential impact of IFRS 16 is shown below.

The actual figures will be impacted by the discount rates used, as well as decisions on the use of expedients and exemptions, along with any additional lease information that comes to light in the year.

We have used notional discount rates of 2.5% (properties) and 5% (non-property) to show the users of the financial statements the potential impact of the transition to IFRS 16. The actual rates used may differ.

We have used the modified retrospective approach and valued the right of use asset retrospectively using the assumed transition discount rates.

Operating leases that were active at 1 January 2019 have been incorporated into the potential impact analysis below. Changes that occur in the year will impact the actual figures that will appear in the 2019 accounts following the transition to IFRS 16. The figures do not include the impact of the Red Kite acquisition.

Additionally, we have assumed that we will utilise, wherever possible, the low value item exemption for leased assets with a value of less than £4,000 and the short remaining term expedient for those with less than 12 months left.

The potential impact of the transition to IFRS 16 is:

- At 1 January 2019 (Assets of £5,150,944, Liabilities of £5,589,989 and estimated impact on EBITDA of £Nil).
- At 31 December 2019 (Assets of £4,283,711, Liabilities of £4,729,927 and estimated impact on EBITDA of £1,000,772).

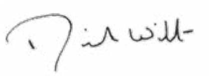
PARENT COMPANY BALANCE SHEET
as at 31 December 2018

	Note	**2018 £'000**	2017 £'000
Fixed assets			
Investments – shares in subsidiary undertakings	3	**92,511**	89,932
		92,511	89,932
Current assets			
Trade and other receivables	4	**40,482**	29,806
Cash and cash equivalents		**87**	7,117
		40,569	36,923
Current liabilities			
Trade and other payables	5	**337**	2,267
Corporation tax payable		**33**	–
		370	2,267
Net current assets		**40,199**	34,656
Total assets less current liabilities			
Net assets		**132,710**	124,588
Capital and reserves			
Called up share capital	6	**1,501**	1,450
Share premium	6	**40,994**	36,121
Merger relief reserve		**590**	–
Retained earnings		**89,625**	87,017
Total shareholders' funds		**132,710**	124,588

The Company profit for the year was £30,000 (2017: £1,850,000 loss).

The Company financial statements on pages 85 to 90 were approved by the Board of Directors on 8 April 2019 and were signed on its behalf by:

Carl Cavers
Director



David Wilton
Director

The notes on pages 87 to 90 form part of these Company financial statements.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Merger relief reserve £'000	Retained earnings £'000	Total equity £'000
On incorporation on 20 November 2017	–	–	–	–	–
Loss for the period	–	–	–	(1,850)	(1,850)
Total comprehensive expense for the period	–	–	–	(1,850)	(1,850)
Transactions with owners:					
Issue of shares	1,065	88,867	–	–	89,932
Capital reduction	–	(88,867)	–	88,867	–
Issue of shares on IPO	385	38,061	–	–	38,446
Share issue expenses	–	(1,940)	–	–	(1,940)
	1,450	36,121	–	88,867	126,438
Balance at 31 December 2017	**1,450**	**36,121**	**–**	**87,017**	**124,588**
Profit for the year	–	–	–	30	30
Total comprehensive income for the year	–	–	–	30	30
Transactions with owners:					
Issue of shares	50	4,873	–	–	4,923
Reserve on issue of shares during acquisition of subsidiary	–	–	590	–	590
Share-based payments transactions	–	–	–	2,579	2,579
SIP share issue and SIP reserve	1	–	–	(1)	–
Balance at 31 December 2018	**1,501**	**40,994**	**590**	**89,625**	**132,710**

The notes on pages 87 to 90 form part of these Company financial statements.

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation
Sumo Group plc (the "Company") is registered in England and Wales as a public limited company. The address of its registered office is 32 Jessops Riverside, Brightside Lane, Sheffield S9 2RX.

The principal activity of Sumo Group plc and its subsidiaries (together the 'Group') is that of video games development. The principal activity of the Company is that of a holding company.

The separate financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101), on the going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 and applicable Accounting Standards in the UK. The principal accounting policies, which have been applied consistently to all the years presented, are set out below.

The following exemptions from the requirements in IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The following paragraphs of IAS 1 "Presentation of Financial Statements"
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 11 (cash flow statement information); and
  - 134-136 (capital management disclosures)
- IFRS 9 "Financial Instruments: Disclosures";
- IAS 7 "Statement of Cash Flows";
- IAS 24 (paragraphs 17 and 18a) "Related Party Disclosures" (key management compensation); and
- IAS 24 "Related Party Disclosures" – the requirement to disclose related party transactions between two or more members of a group.

As the Group financial statements include the equivalent disclosures, the Company has taken the exemptions available under FRS 101 in respect of the following disclosures:

- IFRS 2 "Share-Based Payments" in respect of Group equity settled share-based payments; and
- Certain disclosures required by IFRS 13 "Fair Value Measurement" and disclosures required by IFRS 7 "Financial Instruments: Disclosures"

Company profit and loss account
The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The Company's profit for the year was £30,000 (2017: £1,850,000 loss). There are no material differences between the profit after taxation in the current and prior year and its historical cost equivalent. Accordingly, no note of historical cost profits and losses has been presented.

Dividend distribution
The distribution of a dividend to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which it is approved by the Company's shareholders.

Investment in subsidiary undertakings
Investments in Group undertakings are stated at cost, unless their value has been impaired in which case they are valued at the lower of their realisable value or value in use.

Taxation
Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except to the extent that it arises on:

- the initial recognition of goodwill where the initial recognition exemption applies;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination;
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset in respect of tax losses is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES CONTINUED

Provisions
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Share-based payments
The parent company has granted rights to its equity instruments to the employees of its subsidiaries. The share-based payment charge is recorded in profit or loss of the subsidiary company in respect of these arrangements. The parent company has recorded these transactions within cost of investment with the credit recorded within equity.

Share capital
Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of issue.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

Trade and other receivables
Trade and other receivables are initially recorded at fair value and thereafter are measured at amortised cost using the effective interest rate. A loss allowance for expected credit losses is recognised based upon the lifetime expected credit losses in cases where the credit risk on trade and other receivables has increased significantly since initial recognition. In cases where the credit risk has not increased significantly, the Group measures the loss allowance at an amount equal to the 12-month expected credit loss. This assessment is performed on a collective basis considering forward-looking information.

Trade and other payables
Trade payables are initially recorded at fair value and thereafter at amortised cost using the effective interest rate method.

Critical accounting estimates and judgements
The critical accounting estimates set out in the Group accounts also apply to the Company.

2 REMUNERATION OF DIRECTORS AND AUDITORS

Details of Directors' remuneration are shown in the Directors' Remuneration Report of the Group financial statements. Details of auditor remuneration are shown in note 10 of the Group financial statements.

3 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	£'000
Cost and carrying amount	
On incorporation	–
Additions	89,932
At 31 December 2017	89,932
Share options granted to subsidiary employees	2,579
At 31 December 2018	**92,511**

3 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS CONTINUED

Details of the investments in which the Group holds 20% or more of the nominal value of any class of share capital are as follows:

	Class of share capital held	Proportion held: By Parent Company	Proportion held: By the Group	Nature of business
Project Republica Topco Limited	Ordinary	83%	83%	Holding company
Project Republica Bidco Limited	Ordinary	–	83%	Holding company
Sumo Digital Holdings Limited	Ordinary	–	83%	Holding company
Sumo Digital Group Limited	Ordinary	–	83%	Holding company
Sumo Digital Entertainment Limited	Ordinary	–	83%	Holding company
Sumo Digital Limited	Ordinary	–	83%	Video game development
Sumo Digital (Genus) Limited	Ordinary	–	83%	Video game development
Sumo Digital (Atlantis) Limited	Ordinary	–	83%	Video game development
Cirrus Development Limited	Ordinary	–	83%	Video game development
Aghoco 1337 Limited	Ordinary	–	83%	Employee benefit trust trustee
Mistral Entertainment Limited	Ordinary	–	83%	Video game development
Sumo Video Games Private Limited	Ordinary	–	83%	Video game development
Sumo Games Development Limited (formerly Riverside Games Limited)	Ordinary	–	83%	Dormant
Atomhawk Design Limited	Ordinary	–	83%	Visual design
Atomhawk Canada Limited	Ordinary	–	83%	Visual design
The Chinese Room Limited	Ordinary	–	83%	Video game development
Riverside Games Limited (formerly Aghoco 1788 Limited)[1]	Ordinary	–	83%	Dormant
Aghoco 1789 Limited[1]	Ordinary	–	83%	Dormant
Aghoco 1790 Limited[1]	Ordinary	–	83%	Dormant

All the companies listed above are incorporated in England and Wales, and have a registered address of 32 Jessops Riverside, Brightside Lane, Sheffield, S9 2RX, with the following exceptions:

Company	Country of incorporation	Address
Sumo Video Games Private Limited	India	MCCIA Trade Tower, B Building, 205-206, Senapati Bapat Rd, Chattushringi, Gokhalenagar, Pune, Maharashtra 411016
Atomhawk Canada Limited	Canada	Suite 678, 999 Canada Place, Vancouver, British Columbia, V6C 3E1

1 Towards the end of 2018, the Group acquired three new shelf companies which at the 2018 year end remained dormant.

17% of the share of Project Republica Topco Limited is owned by the Group's founder shareholders. These shares are subject to put and call options to be satisfied by shares in Sumo Group plc, held by an employee benefit trust, the Sumo Group plc Employee Benefit Trust, which was set up on 13 December 2017. As such, beneficial control of all entities listed above is considered to remain with the Group. On this basis there has been no accounting for non-controlling interest.

4 TRADE AND OTHER RECEIVABLES

	2018 £'000	2017 £'000
Amounts owed by Group undertakings	**40,463**	29,756
Prepayments and accrued income	**19**	50
	40,482	29,806

All of the amounts owed by Group undertakings shown above are repayable on demand.

5 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Trade payables	**36**	815
Amounts owed to Group & related entities	**262**	633
Accruals and deferred income	**39**	819
	337	2,267

6 SHARE CAPITAL

Details of movements in shares are set out in note 23 to the Group financial statements.

7 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption included in IAS 24 "Related Party Disclosures" to not disclose details of transactions with Group undertakings, on the grounds that it is the parent company of a Group whose accounts are publicly available.

Directors' transactions
Details of the Directors' interests in the Ordinary Share capital of the Company are provided in the Directors' Report.

8 CONTINGENT LIABILITIES

The Company is party to a Group Overdraft Facility of £3,000,000 and a Revolving Credit Facility with Clydesdale Bank plc of up to £10,000,000, together with certain subsidiary companies. The amounts drawn down at 31 December 2018 were £nil.

9 POST BALANCE SHEET EVENTS

On 31 January 2019, the Group acquired Red Kite Games Limited for a total consideration of circa £2.0 million. The net consideration is circa £1.5 million, as Red Kite had circa £0.5 million of cash on the balance sheet at the date of acquisition. The company will continue to operate under the Red Kite name, as a wholly owned subsidiary of Sumo Digital Limited.

The book and fair values of the assets and liabilities acquired are set out below:

	Book value recognised at acquisition £'000	Fair value adjustments £'000	Fair value £'000
Assets			
Property, plant and equipment	39	(13)	26
Trade and other receivables	202	–	202
Cash and cash equivalents	547	(5)	542
	788	(18)	770
Liabilities			
Corporation tax payable	(23)	–	(23)
Trade and other payables	(27)	(97)	(124)
Deferred tax	(2)	–	(2)
	(52)	(97)	(149)
			621
Goodwill			1,384
			2,005

Summary of net cash inflow from acquisition	
Cash paid	505
Cash acquired	(542)
Cash consideration transferred	(37)

Purchase consideration	
Cash paid	505
Ordinary shares issued	1,500
Total purchase consideration	2,005

Acquisition costs charged to expenses	–

Financial year end	31 December 2018
Preliminary announcement of full-year results	9 April 2019
Publication of Annual Report and Accounts	May 2019
Annual General Meeting	26 June 2019
Preliminary announcement of half-year results	Late September 2019
Publication of Interim Report	Mid October 2019
Financial year end	31 December 2019
Preliminary announcement of full-year results	April 2020
Publication of Annual Report and Accounts	May 2020

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Grant Thornton UK LLP
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Leeds
LS1 4BN

Principal bankers

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M2 4WQ

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Financial PR

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Registered office

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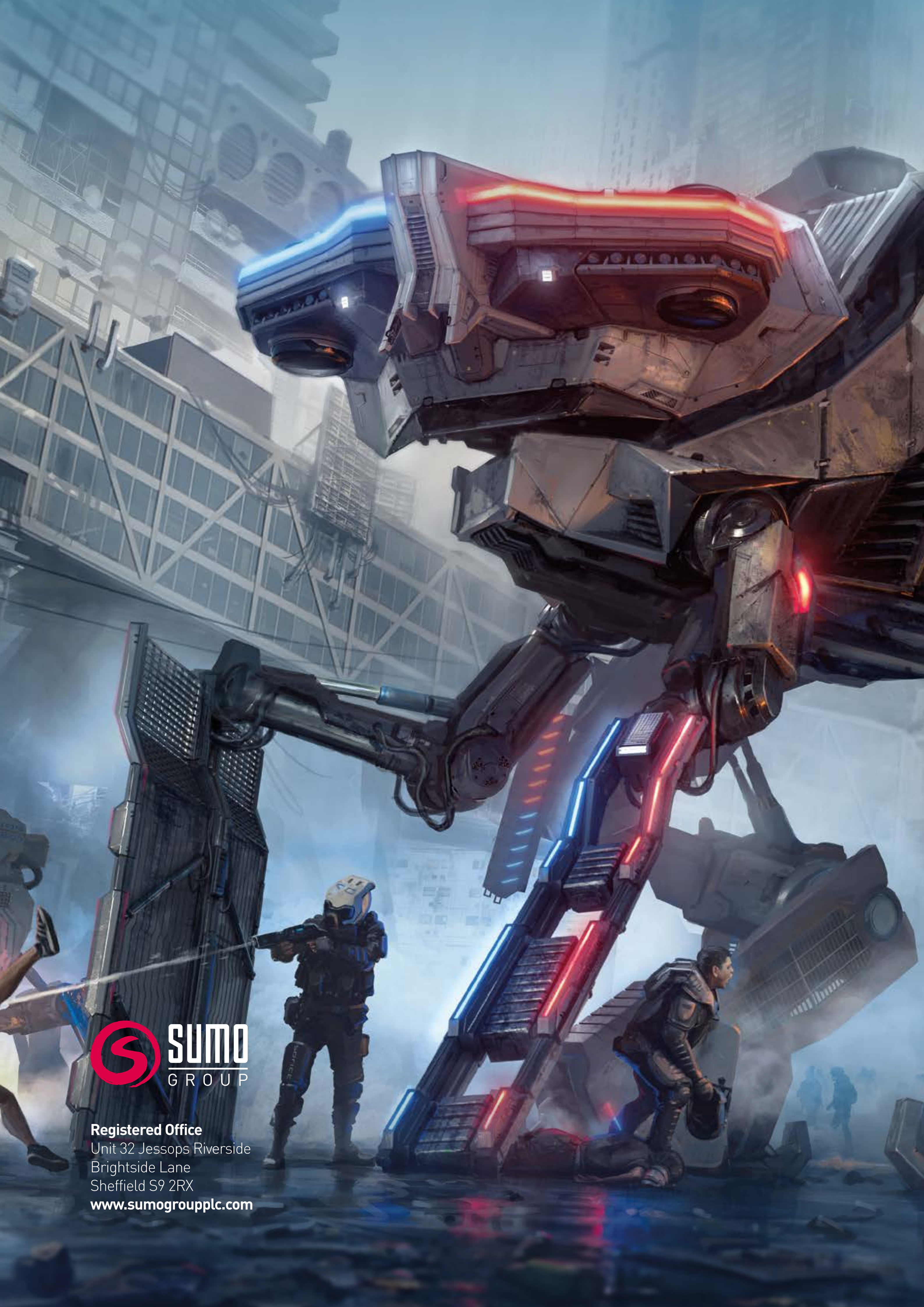

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