30 September 2020

The person responsible for the disclosure of this announcement for the purposes of EU Regulation 596/2014 is David Wilton, Chief Financial Officer.

SUMO GROUP PLC
("Sumo Group", the "Group" or the "Company")
AIM: SUMO

UNAUDITED HALF YEAR RESULTS 2020
On track to deliver FY 20 results at least in line with consensus market expectations and outlook for FY 21 very positive

Sumo Group, the provider of award-winning creative and development services to the video games and entertainment industries, announces its unaudited half year results for the six months ended 30 June 2020 ("H1 20" or the "Period"), which are in line with management expectations.

During the Period, Sumo Group continued to deliver on its stated strategic objectives: to expand; to win new clients; to develop complementary new revenue streams; and to develop its own IP - both self-funded and co-funded.

The Group has strong revenue visibility for the year ending 31 December 2020 ("FY 20") and beyond, and these results reflect the expected significant H2 performance weighting in this year's financial results.

The Board is confident that the Group's results for FY 20 will be at least in line with consensus market expectations.

Financials

Underlying results	**H1 20**	H1 19 (Restated[4])	FY 19	**Change**
Adjusted gross profit[1]	**£11.5m**	£9.8m	£25.2m	**18.2%**
Adjusted gross margin excluding royalties[2]	**40.6%**	46.3%	50.2%	
Adjusted EBITDA[3]	**£6.0m**	£5.2m	£14.1m	**15.2%**

Reported results	**H1 20**	H1 19	FY 19	**Change**
Revenue	**£26.3m**	£20.8m	£49.0m	**26.7%**
Gross profit	**£10.8m**	£9.3m	£23.9m	**16.6%**
Gross margin	**41.2%**	44.8%	48.9%	
Profit before taxation	**£2.8m**	£1.3m	£7.4m	**122.1%**
Cash flow from operations	**£4.9m**	£3.5m	£16.3m	
Net cash	**£15.2m**	£4.3m	£12.9m	
Basic earnings per share	**2.11p**	0.51p	5.19p	**313.7%**
Diluted earnings per share	**2.04p**	0.50p	5.07p	**308.0%**

1. *Adjusted gross profit is stated after including £0.7m (H1 19: £0.5m) investment in co-funded games expensed and is a non-GAAP metric used by management and is not an IFRS disclosure.*
2. *Adjusted gross margin excluding royalties is stated after the exclusion of net royalties and the investment in co-funded games expensed and is a non-GAAP metric used by management and is not an IFRS disclosure.*

[3] *Adjusted EBITDA, which is defined as profit before finance costs, tax, depreciation, amortisation, exceptional items, share based payment charge, the investment in co-funded games expensed and the impact of IFRS 16, is a non-GAAP metric used by management and is not an IFRS disclosure.*

[4] *The H1 2019 comparatives have been restated following a reassessment of the Group's accounting policy for the presentation of VGTR income. During the year ended 31 December 2019, the Directors reassessed their accounting policy for VGTR income which is transferred back to clients at nil margin, and concluded that it would be more appropriate for this income to be netted against the associated direct costs. The change in presentation reduced Direct Costs and Video Games Tax Relief for H1 2019 by £0.5m but had no impact on direct costs (net), gross profit, earnings or financial position. The H1 2019 earnings per share and diluted earnings per share have been restated to reflect a change in the weighted average number of shares. This has been restated to include the impact of 16,617,198 shares held in the Employee Benefit trust for the sole benefit of the Group's founder shareholders. As this beneficial interest was unconditional, the shares should have not been excluded from the weighted average number of shares.*

Financial key points

- Revenue increased by 26.7%, adjusted EBITDA by 15.2% and reported profit before taxation more than doubled from H1 19, virtually all the growth is organic
- Strong underlying profit margins
- Strong balance sheet maintained with £15.2m net cash at the Period end
- The £10m draw down on the Group's revolving credit facility ("RCF") in March, as part of the COVID-19 mitigation strategy, was repaid on 30 June 2020
- Placing to raise £13.1m net completed subsequent to the Period end, supporting the Group's acquisition strategy

Operational highlights

- Incredibly busy year for the Group so far, with seven games launched or announced to date, including four Own-IP games - Spyder, Little Orpheus, WST Snooker and Hood
- Acquisition of Lab42 completed in May 2020, adding 29 people and new Own-IP to the Group
- Group successfully maintained operational effectiveness during global COVID 19 disruption, although has created a more challenging recruitment backdrop. Sumo has not used, and does not expect to use, any furloughing arrangements or other government COVID-19 support measures
- Headcount increased by 66 to 832 at 30 June 2020
- Several significant contracts recently signed, despite the restrictions on travel and cancelled trade events

Acquisition announced separately today

- Delivering on strategic objectives:
  Conditional acquisition of Lake Street Labs Buyer Corp ("Lake Street Labs"), the owner of Pipeworks Inc ("Pipeworks") - an innovative, well-established, and respected West Coast US video games developer, for an enterprise value of up to $99.5m payable in a mixture of cash and shares
- RCF extended from £13m to £30m, presently undrawn, to support the enlarged Group's financial liquidity position

Current trading and outlook

- Market backdrop is extremely positive, with increased growth in the numbers of people playing video games due to the COVID-19 lockdown and demand for high quality, interactive content is very strong
- Further increase in headcount to 853 at 31 August 2020, largely achieved by remote interviews
- Actively pursuing further acquisition opportunities
- Significant weighting of results expected in H2 20, as in prior year

- Strong visibility with nearly 88.9% of forecast development fee revenue for FY 20 contracted or near-contracted
- On track to deliver Adjusted EBITDA in FY 20 at least in line with consensus market expectations
- Outlook for the year ending 31 December 2021 ("FY 21") is very positive

Carl Cavers, Chief Executive Officer of Sumo Group, said:

"More people than ever are playing video games, as a result of the pandemic, and the market outlook remains extremely positive. Our talented teams continue to produce high-quality, interactive content, which is well received by gamers across the globe. We are absolutely delighted with the achievements of our people under challenging circumstances, and, with strong visibility for FY 20, remain very confident in the Group's prospects.

"As a Group, we remain well positioned to capitalise on the expansion in the market and remain focused on delivering further growth both organically and, as demonstrated by the announcement of Pipeworks today, via acquisition."

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About Sumo Group – www.sumogroupplc.com

Sumo Group's businesses provide acclaimed development and design services to the video games and entertainment industries from studios in the UK, India, and Canada.

Sumo Digital, as the Group's primary business, is one of the UK's largest independent developers of AAA-rated video games, having studios in Sheffield, Newcastle, Nottingham, Leamington Spa, Warrington and Pune, India. The business has acquired three studios since IPO, which operate under their own names, BAFTA award-winning The Chinese Room in Brighton, Red Kite Games in Leeds and Lab42 in Leamington Spa. Sumo Digital provides turnkey and co-development solutions to a global blue-chip client base.

Atomhawk is a multi-award-winning visual design company, with studios in Newcastle and in Vancouver (Canada), servicing the games, film and visual effects industries.

CHIEF EXECUTIVE'S REPORT

It has been an incredibly busy year for the Group so far, with seven games, including four Own-IP, either launched or announced to date, which is an exceptional achievement in a global pandemic. The market is extremely positive, with increased growth in the numbers of people playing video games due to the COVID-19 lockdown, and demand for high quality, interactive content is very strong.

The results for the six months to 30 June 2020 were in line with our expectations and reflect the expected significant H2 weighting in performance. Revenue increased by 26.7%, adjusted EBITDA by 15.2% and reported profit before taxation more than doubled from H1 19. With strong visibility on contracted or near contracted development fees of 88.9% for the year ending 31 December 2020 ("FY 20"), we are confident that Adjusted EBITDA for FY 20 will be at least in line with consensus market expectations.

We completed our third acquisition, Lab42 Limited ("Lab42") in May 2020, a cross-platform work for hire studio, providing co-development and full game development services, for a total cash consideration of $0.6m. Lab42 is integrating well and, as with The Chinese Room and Red Kite Games, we are very pleased with its performance to date, having signed two new contracts since acquisition.

Post the half year end, we took the opportunity to raise £13.1m net, via a placing, to support activity in this area, whilst simultaneously broadening our shareholder base. I thank our investors for their support and confidence in our ability to deliver.

We are very pleased to have announced separately today the conditional acquisition of Lake Street Labs, the owner of Pipeworks, an innovative, well-established and respected West Coast US games developer for an enterprise value of up to $99.5m. The 134-strong team at Pipeworks is well known to us and we look forward to sharing an exciting future with them.

Although COVID-19 has presented a number of challenges, we are also expecting to see further opportunities. The Group's operational performance has been largely unaffected by the disruption, although it has required a significant logistical re-organisation. Recruitment during the COVID 19 disruption has proven particularly challenging. We have delivered dozens of project milestones on time and five new games have been launched since the UK lockdown, by teams which continue to work from home. We continue to develop great games, both Client-IP and Own-IP, and recruit talented people, which lies at the heart of our growth ambitions**.** Group headcount increased by 66 to 832 in the Period.

Several significant contracts have also recently been signed and, despite the restrictions on travel and cancelled trade events, we continue to see a very strong pipeline of business development opportunities on major new projects, with both existing and new clients and we have a number of interesting Own-IP concepts. As is typical in our business we do start working on some projects ahead of signing contracts. In the first half of 2020 we worked on a project which is ongoing and on which the finalisation of the contract has been delayed through the pandemic. The terms for this contract are now nearly agreed but without the signed contract and in accordance with IFRS 15 we have not recognised revenue and gross profit that would otherwise have been recognised in the Period. There are a small number of such projects on which we have begun work prior to formally signing final contracts and we are confident of finalising these agreements in the near term.

Sumo has not used, and does not expect to use, any furloughing arrangements or other government COVID-19 support measures.

Overall, the Board is delighted with the achievements of the business under difficult circumstances, and, with strong visibility for FY 20 and beyond, is very confident in the Group's prospects for FY 21.

Games launched or announced in 2020

Console versions of Two Point Hospital, a simulation game ported to new platforms by Red Kite Games and published by Sega for PlayStation 4, Xbox One and Nintendo Switch, were released in February 2020. Our Own-IP games, Spyder and Little Orpheus, developed in our Sheffield studio and The Chinese Room in Brighton respectively, were launched on Apple Arcade in the Period. Both games are highly rated on this platform. Sackboy A Big Adventure, a turnkey project being developed by our Sheffield studio for Sony was announced at the Playstation 5 reveal event in June.

WST Snooker, the official video game of the World Snooker Tour developed by Lab42 was launched in July, post half year end, for iOS, tvOS and Android mobile devices. Hood, a dark re-imagining of the Robin Hood legend, developed in our Newcastle studio and published by Focus Home Interactive, was announced in August. Most recently, on 10 September, Hotshot Racing, an arcade-style racing game developed in our Nottingham studio and published by Curve Digital was released on Xbox One, Playstation 4, Nintendo Switch and PC.

Of these seven games, we are delighted to say that four are Sumo Group's Own-IP: Spyder, Little Orpheus, WST Snooker and Hood. In addition, we expect to release Pass the Punch, another Own-IP game, later in 2020. Having regard to our current projects, prospective opportunities and our resourcing profile, we took the decision not to proceed with the development and launch of the sequel to our successful Snake Pass game and instead to deploy the team to work on other projects.

We remain committed to developing our Own-IP including large games that are fully, or largely, funded by third party publishers or smaller games that we fund and accordingly we have recently appointed a very experienced Director of Publishing who is due to start with us later in 2020.

Financial review

Revenue

The underlying trading of the Group was in line with management's expectations. The Group's reported revenue was £26.3m (H1 19: £20.8m).

The phasing of revenue, particularly the development fees, within the first half reflects the mix and status of our projects. Many were either late stage, just prior to launch, or early stage, just after initiation. The size of teams in these phases of a project are generally relatively small, compared to peak production levels, and comprise mainly senior people. This project phasing is reflected in both our reported development fees and utilisation rates in the Period. Also as noted above we are doing some pre-contract work, particularly on Own-IP projects, on which we do not recognise margin until the final contract is signed. As our business continues to grow organically there is an inherent weighting towards the second half as direct headcount increases.

Our revenue is disclosed, once again, under five categories, distinguishing between revenue generated from Client-IP and that generated from Own-IP. The former consists of development fees and royalties, and the latter consists of development fees, royalties and game revenues. We have always been clear that the mix of Client-IP and Own-IP revenue will vary, depending on project mix and status during a particular financial period, and the six or 12 monthly reporting periods are much shorter than the typical period for the development of a single video game. Given four of the games launched in the year to date were Own-IP, the proportion of Own-IP development fees in H1 20 is relatively low compared to the prior period reflecting the late stage of the development cycle. In the Period, we earned our first significant royalty income on Own-IP, which validates our strategy to focus on generating growth in this area.

Most of the Group's revenue is generated from turnkey projects, developing the entire game, although we do continue to do some co-development work.

The analysis of revenue for H1 20, together with the H1 19 comparative figures, is as follows:

	H1 20	**H1 19**
Client-IP Development	£21.0m	£12.7m
Client-IP Royalty	£0.6m	£0.3m
Total Client-IP	**£21.6m**	**£13.0m**
% of total revenue	**82.2%**	**62.5%**
Own-IP Development	£3.5m	£7.7m
Own-IP Royalty	£1.1m	-
Own-IP Game Revenues	£0.1m	£0.1m
Total Own-IP	**£4.7m**	**£7.8m**
% of total revenue	**17.8%**	**37.5%**
Total revenue	£26.3m	£20.8m

In H1 20, 17.8% of revenue was generated from Own-IP (H1 19: 37.5%). Our strategy remains to move towards more Own-IP projects, where we see longer term opportunities to earn higher returns on a relatively low risk basis, but we will also retain our focus on suitable Client-IP, including both turnkey and co-development work for which we have a longstanding strong reputation.

Royalty income includes an amount of £0.2m (H1 19: £0.1m) in recognition of variable consideration under IFRS 15, which is future royalty income expected to be received.

When we reported our Final Results 2019 on 21 April 2020, the Group had contracted or near contracted visibility on 73% of forecast development fees for Sumo Digital for 2020. The Board is pleased to report that the Group now has strong visibility for the year ending 31 December 2020 of 88.9%.

Gross profit and margin

Statutory gross profit for the Period was £10.8m (H1 19: £9.3m).

Statutory gross margin was 41.2% (H1 19: 44.8%). This includes royalty income of £1.7m (H1 19: £0.3m), most of which flowed directly through to gross profit. The gross margin adjusted for the investment in co-funded games expensed and excluding net royalties was 40.6% (H1 19: 46.3%). The underlying gross margin remains strong. The gross margin in the first half was impacted by three specific matters: the pre-contract work on the project referred to above, the cost expensed on Snake Pass 2 of £0.9m and the higher than usual holiday pay accrual at the end of June as a result of the pandemic. We estimate that without these three items the adjusted gross margin would be 47.7%.

Operating expenses

Operating expenses were £7.7m (H1 19: £7.6m). Included within operating expenses were amortisation and depreciation of £0.2m and £1.6m respectively (H1 19: £0.6m and £1.0m respectively). The depreciation charge of £1.6m includes £0.6m relating to the right of use asset relating to property leases under IFRS 16.

There was a non-cash charge of £1.1m (H1 19: £2.0m) to reflect the cost of the Sumo Group plc Long Term Incentive Plan ("LTIP") and the Sumo Group plc Share Incentive Plan (the "SIP").

If amortisation, depreciation, the share-based payment charge and exceptional items are excluded and the operating lease costs capitalised under IFRS 16 are deducted, operating expenses increased by £1.0m from H1 19 to £5.5m.

Adjusted EBITDA and margin

Adjusted EBITDA for the Period was in line with management expectations at £6.0m (H1 19: £5.2m). In arriving at Adjusted EBITDA, adjustments have been made for amortisation, depreciation, share-based payment, the investment in co-funded games expensed, operating lease costs capitalised under IFRS 16 and exceptional items.

The financial results for 2020 will be, as expected and outlined in our Final Results for 2019 announced on 21 April 2020, weighted towards the second half of the year.

Adjusted EBITDA margin was 22.8% (H1 19: 25.1%). This figure reflects the three items referred to above which impacted Adjusted gross margin and we estimate that without these three items the Adjusted EBITDA margin would be 24.0%.

Profit before taxation

The statutory profit before taxation was £2.8m (H1 19: £1.3m). This includes the fair value movement on foreign exchange contracts during the Period of £0.5m.

Taxation

The Corporation Tax credit was £0.3m (H1 19: charge of £0.5m).

Earnings per share

The basic and diluted earnings per share for H1 20 are 2.11p and 2.04p respectively (H1 19: 0.51p and 0.50p respectively).

The adjusted basic earnings per share was 2.84p (H1 19: 2.49p) and the adjusted diluted earnings per share was 2.69p (H1 19: 2.33p). Further details including the basis of calculating the number of shares which is different to the statutory basis is set out in Note 14.

Client concentration

During the half year two major clients individually accounted for at least 10% of total revenues and in aggregate 48% of total revenues (H1 19: four clients and 75% of total revenues). Sumo Digital works on a relatively small number of large and long-term contracts and is likely always to have a concentrated client base. During the half-year Sumo Digital worked on five significant projects for the top two clients and ten significant projects for the three largest clients who accounted for 57% of total revenue.

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 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 H1 20 and H1 19 are £3.5m and £3.2m respectively.

The evidence continues to support the view that VGTR is a key catalyst in enabling job creation and investment in the UK and continues to have broad political support. It is interesting to note the effectiveness of the VGTR regime in promoting a sector which has proved its resilience and very strong growth potential through the current pandemic.

Treatment of acquisition costs

The net consideration of £0.2m paid for the acquisition of Lab42 has been capitalised and goodwill and other intangibles of £0.1m were recognised.

The exceptional items charged in H1 20 of £0.7m consist of professional adviser and other transaction costs, including those incurred on the acquisition of Lab42.

Alternative performance measures

The Board believes that it is helpful to include alternative performance measures, which exclude certain non-cash charges and are adjusted for the matters referred to above to present the underlying results of the Group. These measures are reconciled to the income statement in Note 14.

Cash flow

The net cash generated from operating activities for the Period was £4.9m (H1 19: £3.5m). The net cash balance at 30 June 2020 was £15.2m (30 June 2019 £4.3m and 31 December 2019 £12.9m). During the Period, the Group had a £13m revolving credit facilities agreement with Clydesdale Bank plc. The facility is presently undrawn and has been extended from £13m to £30m to support the enlarged Group's financial liquidity position post the acquisition of Pipeworks via Lake Street Labs. Interest is payable on amounts drawn down at the rate of one and a half to two per cent above LIBOR and the term of the agreement is five years from 15 December 2017. On 24 March 2020, as part of the mitigation actions taken for COVID-19, the Group drew down £10m from this facility and this amount was repaid on 30 June 2020. The facility is presently undrawn. On 16 July we raised approximately £13.1m of net proceeds from the equity placing of 7,588,500 shares and as at 29 September we had net cash of £30.3m.

Capital expenditure on tangible assets in the half year was £1.8m (H1 19: £1.4m), of which £1.2m related to IT hardware and £0.6m to fixtures and fittings and leasehold improvements. A further £0.4m was spent on the purchase of intangible assets (H1 19: £0.2m) of which £0.1m related to software and £0.3m was on intellectual property on an Own-IP game.

The cash cost, excluding transaction costs, of the acquisition of Lab42 was £0.5m at completion and it had cash balances of £0.3m at the date of acquisition. Deferred consideration of £0.1m was paid to the vendors of Red Kite Games.

The net finance income for the Period was £0.3m (H1 19: net finance cost of £0.2m). This consists of the fair value movement on foreign exchange contracts and a very small amount of interest income partly offset by the IFRS 16 interest charge and bank and other interest.

Balance sheet

Goodwill and other intangibles at 30 June 2020 were £24.3m. This is an increase of £0.3m from 31 December 2019 and reflects investment in intellectual property on Own-IP games, software purchases and the increase in goodwill and other intangibles arising from the acquisition of Lab42.

Current assets were £38.8m (30 June 2019: £33.6m). Trade and other receivables were £23.6m, a decrease of £5.7m from the figure of £29.3m at 30 June 2019 and trade and other payables were £13.0m (30 June 2019: £15.6m).

As at 30 June 2020 the net working capital position (excluding the IFRS 16 lease liability due within one year of £1.3m) was £11.9m (31 December 2019: £10.2m)

Foreign currency

During the Period, the Group generated US dollar denominated revenue of $5.9m. It is Sumo Group's policy to hedge contracted non-sterling revenues to protect the Group from fluctuations in exchange rates.

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 and options

During the Period 7,462 shares in aggregate were issued under the SIP.

As at 30 June 2020, options were granted or remain outstanding under the LTIP over an aggregate of 10,289,975 shares. As previously reported 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 held under a joint ownership arrangement. Further options were outstanding over 450,000 shares and there is a warrant over 1,450,000 shares.

On 31 January 2020, being the first anniversary of completion of the acquisition of Red Kite Games, 1,162,791 shares were issued to the vendors of that business.

Since 30 June 2020, 4,617 shares have been issued to date under the terms of the SIP.

As referred to above on 16 July we raised approximately £13.1m of net proceeds from the placing of 7,588,500 shares.

Operational review

Sumo Digital – representing 94% of Group revenue

Sumo Digital now has nine studios, eight in the UK and one in India. We are currently considering how and when we may return to working from these locations. Our expectation is that we will return to some form of studio-based working, albeit combined with flexible and remote working subject to client consent. We continue to manage our portfolio of premises and have signed leases on new premises for Sumo Newcastle and The Chinese Room in Brighton.

The utilisation rate across the UK studios in the half year was 95.1% (2019: 97.0%). In Pune, the rate was 79.0% (H1 19: 85.0%), with utilisation for Sumo Digital overall at 92.2% (H1 19: 94.8%). Whilst lower than the prior half year comparative, these rates were in line with management expectations, and primarily reflects project phasing.

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 or acquiring studios in new strategic locations, and via smaller bolt-on acquisitions. Today, we have announced the acquisition of Pipeworks, a substantial and well-established studio based in Eugene, Oregon, on the strategically important West Coast of the US. We are actively considering new locations in the UK and abroad, as well as progressing further acquisition opportunities.

In recent years, Sumo Digital has worked with Sony, Microsoft (including Turn 10 Studios), Sega, IO Interactive, CCP Games, Apple, 2K and Focus Home Interactive. Sumo Digital's people are currently working on 34 projects, including six at Lab42, with 20 clients of which eight games or publisher partnerships have been announced.

We are delighted that Red Kite Games and Sumo Leamington won GI.biz awards for Best Small Business and Diversity respectively and that both these studios along with Lab42 also won a "Best Places to Work" Badge. Sumo Digital also won the MCV award for Best External Development Partner.

Atomhawk – representing 6% of Group revenue

Atomhawk continued to perform well in the Period, providing visual development concept art and marketing art, as well as motion graphics and user interface design. Atomhawk Canada moved to a larger studio in Downtown Vancouver in June, facilitating further growth in headcount. In the UK, Atomhawk expects to move to the new studio next to Sumo Digital in the RIGA building in Gateshead later in 2020.

During H1 20, Atomhawk's projects included the visual development and motion graphics for XCOM: Chimera Squad for 2K and Firaxis, which launched to critical acclaim in April 2020 and providing ongoing support for Mortal Kombat 11 for WB Games / NetherRealm Studio, including the well-received Aftermath expansion in June 2020. It is currently working on concept art and visual development for multiple major clients including Xbox Game Studios, Lego, Pokemon, WB Games and EA. Atomhawk continues to collaborate with Sumo Digital, and notably worked on visual development for both Spyder and Little Orpheus.

To mark its 10 year anniversary in 2019, Atomhawk sponsored the exhibition Other Worlds: The Art of Atomhawk at Great North Museum: Hancock. This installation provides an insight into the processes used by digital artists, along with examples from the studio's first decade. The exhibition has a comprehensive local engagement programme, working with local schools and communities to provide education on creative and digital skills on offer in the North East economy. Whilst the exhibition was closed during the COVID lockdown, community engagement continued through digital channels, and a virtual reality version of the physical exhibition is in development.

Acquisitions

Since the IPO in December 2017, the Group has completed the acquisitions of The Chinese Room, Red Kite Games and, most recently, Lab42. These acquisitions, for which the consideration has ranged from £0.5m to £2.2m, have been very successful. These businesses continue to operate under the leadership teams in place at the time of their acquisition and have successfully grown headcount under Sumo ownership, with Red Kite Games and The Chinese Room moving to larger premises to support their expansion.

With an enterprise value of $99.5m, the acquisition of Pipeworks, announced today, is by far our largest acquisition to date and is wholly in line with our growth strategy. We look forward to updating shareholders on its progress as part of Sumo Group.

There continues to be a good pipeline of acquisition opportunities, which would fit well with the Group's operations and strategy, and we are actively pursuing a number of targets.

People

Sumo Group is a people business and its continuing success is entirely dependent on recruiting and retaining talented people. It has been inspiring to see how our team has performed in and reacted to the COVID-19 pandemic. Recruitment was challenging in the Period, with headcount increasing by 66 to 832. Of this increase, 29 people joined us through the acquisition of Lab42. The direct headcount at 30 June 2020 was 686 (31 December 2019: 634). Group total headcount at 31 August 2020 was 853. We expect the challenging recruitment conditions to persist for the foreseeable future.

Staff attrition rates in the UK and India ran at 4.9% and 3.9% respectively (H1 19: 4.9% and 6.6% respectively). We continue to work with valued and proven contractor colleagues alongside our own people.

While it is our intention to return to some form of studio-based working and expand our studios both in size and number of locations, the expedited move to working from home brought about by COVID-19 has opened up a new raft of possibilities. Flexible working potentially widens the pool of talent from which we are able to recruit. Employee location to the studio will become less relevant, as they may not need to be studio based every day. This is an opportunity for us as a business to attract a more diverse pool of talent into the industry.

Once again, I would like to give my heartfelt thanks to everyone at Sumo Group for their creativity, passion and commitment and for their support and resilience in the face of the COVID-19 situation.

Environmental, Social and Governance ("ESG")

ESG is rightly important to our stakeholders notably our people, our clients, and our investors. In March 2020 our Board approved our approach and structure for ESG. We are now seeking investor and employee feedback on priority ESG matters through meetings and surveys. We have established a Diversity Focus Group and have introduced Learning & Development Days. Baseline information on environmental impacts and on diversity is now being collated. We are preparing for Streamlined

Energy and Carbon Reporting. On IT security we are making progress towards ISO 27001 accreditation. To enable reporting on ESG matters and to receive feedback we will set up locations on our intranet and the Group website. For formal measurement of ESG matters we are considering the B Corporation self-assessment.

On 9 September, after the Period end, we announced the launch of the Sumo Digital Academy, a training scheme to bring new talent into the games industry by recruiting from outside of traditional education channels. The first four programmer trainees have joined the scheme and are helping to shape the Academy programme in advance of plans for a formal apprenticeship scheme.

The market

The pandemic has accelerated the already strong growth in the UK and global video games market. According to analysis from Cardlytics UK games expenditure rose by more than 70% during lockdown from mid-March to the start of July. In the US spending on video games in the second quarter of 2020 was up 30% on the previous year and 7% up from the previous quarter at $11.6 billion (NPD Group). Player spend and concurrent user engagement on Steam broke records week to week during March and April. Some of the momentum slowed into June but the level of game playing remains very high. In the game streaming market Twitch set a new record in the first quarter of 2020 with more than 3 billion total hours watched in a single quarter. This increased further to 5 billion hours watched in the second quarter. This represented an increase of more than 80% on the prior year.

Current and new gamers have driven a marked increase in the sales of games consoles ahead of the launch of the next generation of consoles from Sony and Microsoft in November this year.

The strong growth in gaming will drive more demand for high quality interactive content in a market that remains constrained by a lack of capacity.

Outlook

It has been an extraordinary year to date and we are achieving real progress in the development and evolution of the business, as we work towards our strategic objectives. We are very pleased with, and proud of, how our business has responded to events outside of our control. Sumo Group is proving to be resilient and agile, reflecting the quality of our people and the strength of our business model, as we face and overcome the challenges presented by the global pandemic and capitalise on new opportunities.

With strong visibility, we are confident that the Group is on track to deliver Adjusted EBITDA for FY 20 at least in line with consensus market expectations. The strength of our underlying market and the quality and depth of our business development pipeline make us particularly positive about the outlook for FY 21, and we see opportunities for strong growth in our business.

Carl Cavers
Chief Executive Officer
30 September 2020

CONSOLIDATED INTERIM INCOME STATEMENT

	Note	**Unaudited Half year ended 30 June 2020**	Unaudited Half year ended 30 June 2019 (Restated)[2]	Audited Year ended 31 December 2019
		£'000	£'000	£'000
Revenue	**4**	**26,302**	20,766	48,987
Direct costs		**(18,989)**	(14,686)	(32,409)
Video Games Tax Relief		**3,526**	3,217	7,350
Direct costs (net)		**(15,463)**	(11,469)	(25,059)
Gross profit		**10,839**	9,297	23,928
Operating expenses		**(7,718)**	(7,580)	(15,906)
Operating expenses – exceptional		**(677)**	(311)	(523)
Operating expenses – total		**(8,395)**	(7,891)	(16,429)
Group operating profit		**2,444**	1,406	7,499
Analysed as:				
Adjusted EBITDA[1]	**14**	**6,009**	5,214	14,072
Amortisation		**(186)**	(559)	(834)
Depreciation	**9**	**(1,649)**	(985)	(2,226)
Share based payments charge	**11**	**(1,063)**	(2,002)	(2,684)
Investment in co-funded games expensed		**(696)**	(464)	(1,292)
Operating lease costs capitalised under IFRS 16	**14**	**706**	513	986
Exceptional items		**(677)**	(311)	(523)
Group operating profit		**2,444**	1,406	7,499
Finance cost	**5**	**(191)**	(344)	(313)
Finance income	**6**	**525**	189	253
Profit before taxation		**2,778**	1,251	7,439
Taxation	**7**	**316**	(510)	117
Profit for the period attributable to equity shareholders		**3,094**	741	7,556
Profit per share (pence)				
Basic	**8**	**2.11**	0.51	5.19
Diluted	**8**	**2.04**	0.50	5.07

1: Adjusted EBITDA, which is defined as profit before finance costs, tax, depreciation, amortisation, exceptional items, share-based payment charge, IFRS16 impact, and the investment in co-funded games expensed, is a non-GAAP metric used by management and is not an IFRS disclosure.

2: The H1 2019 comparatives have been restated following a reassessment of the Group's accounting policy for the presentation of VGTR income. During the year ended 31 December 2019, the Directors reassessed their accounting policy for VGTR income which is transferred back to clients at nil margin, and concluded that it would be more appropriate for this income to be netted against the associated direct costs. The change in presentation reduced Direct Costs and Video Games Tax Relief for H1 2019 by £0.5m but had no impact on direct costs (net), gross profit, earnings or financial position. The H1 2019 earnings per share and diluted earnings per share have been restated to reflect a change in the weighted average number of shares. This has been restated to include the impact of 16,617,198 shares held in the Employee Benefit trust for the sole benefit of the Group's founder shareholders. As this beneficial interest was unconditional, the shares should have not been excluded from the weighted average number of shares.

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME/(EXPENSE)

	Unaudited Half year ended 30 June 2020 £'000	Unaudited Half year ended 30 June 2019 £'000	Audited Year ended 31 December 2019 £'000
Profit for the period attributable to equity shareholders	**3,094**	741	7,556
Other comprehensive income/(expense):			
Exchange differences on retranslation of foreign operations	**18**	(20)	(89)
Total other comprehensive income/(expense)	**18**	(20)	(89)
Total comprehensive income for the period	**3,112**	721	7,467

Items in the statement above are disclosed net of tax.

CONSOLIDATED INTERIM BALANCE SHEET
as at 30 June 2020

	Note	**Unaudited 30 June 2020 £'000**	Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
Non-current assets				
Goodwill and other intangible assets		**24,252**	23,428	23,975
Property, plant and equipment	**9**	**13,720**	8,228	11,715
Deferred tax asset		**3,030**	2,691	2,512
Total non-current assets		**41,002**	34,347	38,202
Current assets				
Trade and other receivables		**23,624**	29,259	23,732
Corporation tax receivable		**-**	-	703
Cash and cash equivalents		**15,185**	4,310	12,890
Total current assets		**38,809**	33,569	37,325
Total assets		**79,811**	67,916	75,527
Current liabilities				
Trade and other payables	**10**	**13,013**	15,586	14,246
Corporation tax payable		**-**	665	-
Total current liabilities		**13,013**	16,251	14,246
Non-current liabilities	**10**	**7,895**	4,021	6,524
Total liabilities		**20,908**	20,272	20,770
Net assets		**58,903**	47,644	54,757
Equity				
Share capital		**1,518**	1,506	1,506
Share premium		**43,107**	41,584	41,605
Reverse acquisition reserve		**(60,623)**	(60,623)	(60,623)
Merger relief reserve		**590**	590	590
Foreign currency translation reserve		**(92)**	(41)	(110)
Own shares		**(4,919)**	(4,919)	(4,919)
Shares to be issued		**-**	1,500	1,514
Retained earnings		**79,322**	68,047	75,194
Total equity		**58,903**	47,644	54,757

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
for the period ended 30 June 2020

	Share capital £'000	Share premium £'000	Shares to be issued £'000	Reverse acquisition reserve £'000	Merger relief reserve £'000	Foreign currency translation reserve £'000	Own shares £'000	Retained earnings £'000	**Total equity £'000**
Balance as at 1 January 2019 (audited)	**1,501**	**40,994**	**-**	**(60,623)**	**590**	**(21)**	**(4,919)**	**66,021**	**43,543**
Impact of adoption of IFRS16								(9)	**(9)**
Profit for the period	-	-	-	-	-	-	-	741	**741**
Exchange differences on retranslation of foreign operations	-	-	-	-	-	(20)	-	-	**(20)**
Total comprehensive (expense)/income for the period	-	-	-	-	-	(20)	-	732	**712**
Transactions with owners:									
Issue of shares	5	590	-	-	-	-	-	(595)	**-**
Shares to be issued in respect of deferred consideration	-	-	1,500	-	-	-	-	-	**1,500**
Share based payment transactions	-	-	-	-	-	-	-	1,889	**1,889**
	5	590	1,500	-	-	-	-	1,294	**3,389**
Balance at 30 June 2019	**1,506**	**41,584**	**1,500**	**(60,623)**	**590**	**(41)**	**(4,919)**	**68,047**	**47,644**
Impact of adoption of IFRS16	-	-	-	-	-	-	-	(68)	**(68)**
Profit for the period	-	-	-	-	-	-	-	6,815	**6,815**
Exchange differences on retranslation of foreign operations	-	-	-	-	-	(69)	-	-	**(69)**
Total comprehensive (expense)/income for the period	-	-	-	-	-	(69)	-	6,747	6,678
Transactions with owners:									
Issue of shares	-	21	-	-	-	-	-	(21)	**-**
Shares to be issued in respect of deferred consideration	-	-	14	-	-	-	-	-	**14**
Share based payment transactions	-	-	-	-	-	-	-	421	**421**
	-	21	14	-	-	-	-	400	**435**
Balance at 31 December 2019 (audited)	**1,506**	**41,605**	**1,514**	**(60,623)**	**590**	**(110)**	**(4,919)**	**75,194**	**54,757**
Profit for the period	-	-	-	-	-	-	-	3,094	**3,094**
Exchange differences on retranslation of foreign operations	-	-	-	-	-	18	-	-	**18**
Total comprehensive income for the period	-	-	-	-	-	18	-	3,094	**3,112**
Transactions with owners:									
Issue of shares	12	1,502	(1,514)	-	-	-	-	-	**-**
Share based payment transactions	-	-	-	-	-	-	-	1,034	**1,034**
	12	1,502	(1,514)	-	-	-	-	1,034	**1,034**
Balance at 30 June 2020	**1,518**	**43,107**	**-**	**(60,623)**	**590**	**(92)**	**(4,919)**	**79,322**	**58,903**

CONSOLIDATED INTERIM CASH FLOW STATEMENT
for the period ended 30 June 2020

	Note	**Unaudited Half year ended 30 June 2020 £'000**	Unaudited Half year ended 30 June 2019 £'000	Audited Year ended 31 December 2019 £'000
Profit for the financial period		**3,094**	741	7,556
Income tax		**(316)**	510	(117)
Finance income		**(525)**	(189)	(253)
Finance costs		**191**	344	313
Operating profit		**2,444**	1,406	7,499
Depreciation charge	**9**	**1,649**	985	2,226
Amortisation of intangible assets		**186**	559	834
Increase in bad debt provision		**-**	-	(6)
Share based payments charge		**1,063**	2,002	2,580
Decrease/(Increase) in trade and other receivables		**946**	(4,097)	1,814
(Decrease)/Increase in trade and other payables		**(1,401)**	2,638	1,304
Cash flows from operating activities		**4,887**	3,493	16,251
Finance income received		**5**	-	9
Finance costs paid		**(191)**	(101)	(216)
Tax received/(paid)		**693**	(805)	(1,605)
Net cash generated from operating activities		**5,394**	2,587	14,439
Cash flows from investing activities				
Purchase of intangible assets		**(400)**	(223)	(824)
Purchase of property, plant and equipment		**(1,805)**	(1,355)	(3,272)
Acquisition of subsidiaries – net of cash acquired		**(332)**	37	38
Net cash used in investing activities		**(2,537)**	(1,541)	(4,058)
Cash flows from financing activities				
Outflow of financial debt – IFRS16		**(580)**	(445)	(1,021)
Proceeds of borrowings		**10,000**	-	-
Repayment of borrowings		**(10,000)**	-	-
Net cash used in financing activities		**(580)**	(445)	(1,021)
Net increase in cash and cash equivalents		**2,277**	601	9,360
Cash and cash equivalents at the beginning of the period		**12,890**	3,730	3,730
Foreign exchange		**18**	(21)	(200)
Cash and cash equivalents at the end of the period		**15,185**	4,310	12,890

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
for the period ended 30 June 2020

1. GENERAL INFORMATION

Sumo Group plc ("the Company") is a public limited company incorporated in England with the registered number 11071913. The address of its registered office is 32 Jessops Riverside, Brightside Lane, Sheffield S9 2RX.

The Company's shares are quoted on the Alternative Investment Market.

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

The condensed consolidated interim financial information was approved and authorised for issue by a duly appointed and authorised committee of the Board of Directors on 29 September 2020.

This condensed interim financial information has not been audited or reviewed by the Company's auditors.

Forward looking statements

Certain statements in this results announcement are forward looking. The terms "expect", "anticipate", "should be", "will be" and similar expressions identify forward-looking statements. Although the Board of Directors believe that the expectations reflected in these forward-looking statements are reasonable, such statements are subject to a number of risks and uncertainties, and events could differ materially from these expressed or implied by these forward-looking statements.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which 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 condensed consolidated interim financial statements have been prepared on the going concern basis and on the historical cost convention modified for the revaluation of certain financial instruments.

This condensed consolidated interim financial information does not constitute the Group's statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparatives for the full year ended 31 December 2019 are not the Company's full statutory accounts for that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors, Ernst & Young LLP, have reported on these accounts, their report is unqualified, does not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and does not constitute a statement under either Section 498(2) or (3) of the Companies Act 2006.

3. ACCOUNTING POLICIES

There are no new standards that have become effective in the period that have had a material effect on the Group's financial statements.

The accounting policies applied by the Group in these unaudited half year results are consistent with those applied in the annual financial statements for the year ended 31 December 2019 as described in the Group's Annual Report and full financial statements for that year and as available on the Company's website www.sumogroupplc.com.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Leases

The Group has applied IFRS 16 from 1 January 2019. At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

The lease liability is initially measured at the present value of lease payments that were not paid at the commencement date, discounted using the Group's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. If there is a remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded directly in profit or loss if the carrying amount of the right of use asset is zero.

The Group presents right-of-use assets within property, plant and equipment.

Short term leases and low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, or leases of low value assets. These lease payments are expensed on a straight-line basis over the lease term.

4. SEGMENTAL REPORTING – UNAUDITED

The trading operations of the Group are only in video games development, and are all continuing. This includes the activities of Sumo Digital Limited, Sumo Games Development Limited, Mistral Entertainment Limited, Sumo Video Games Private Limited, Cirrus Development Limited, Sumo Digital (Genus) Limited, Sumo Digital (Chili) Limited, Atomhawk Design Limited, Atomhawk Canada Limited, Red Kite Games Limited, Red Kite Software Development Limited and Lab42 Limited. The central activities, comprising services and assets provided to Group companies, are considered incidental to the activities of the Group 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 £464,000 (30 June 2019: £440,000, 31 December 2019: £444,000) which were located in India and Canada.

Major clients

In the half year ended 30 June 2020 there were two major clients that individually accounted for at least 10 per cent of total revenues (year ended 31 December 2019: four clients). The revenues relating to these clients in the half year ended 30 June 2020 were £7.1m and £5.4m (year ended 31 December 2019: £12.8m, £10.9m, £7.5m and £5.2m).

Analysis of revenue

	Unaudited Half year ended 30 June 2020	Unaudited Half year ended 30 June 2019	Audited Year ended 31 December 2019
	£'000	£'000	£'000
UK & Ireland	**7,255**	7,518	16,622
Europe	**2,707**	2,428	5,440
Rest of the World	**16,340**	10,820	26,925
	26,302	20,766	48,987

Revenue by IP origination

The Group's revenue can be disaggregated by considering the source of created intellectual property (IP) as shown below:

	Unaudited Half year ended 30 June 2020	Unaudited Half year ended 30 June 2019	Audited Year ended 31 December 2019
Development Fees	**£'000**	£'000	£'000
Client-IP - Development	**21,034**	12,712	31,315
Client-IP - Royalty	**588**	259	1,309
Total Client-IP	**21,622**	12,971	32,624
Own-IP - Development	**3,517**	7,680	15,998
Own-IP - Royalty	**1,107**	-	-
Own-IP - Game Revenues	**56**	115	365
Total Own-IP	**4,680**	7,795	16,364
Total Revenue	**26,302**	20,766	48,987

5. FINANCE COSTS – UNAUDITED

	Unaudited Half year ended 30 June 2020	Unaudited Half year ended 30 June 2019	Audited Year ended 31 December 2019
	£'000	£'000	£'000
IFRS16 Interest	**120**	69	149
Bank and other interest	**71**	32	67
Fair value movement on foreign exchange contracts	**-**	243	97
Finance costs	**191**	344	313

6. FINANCE INCOME – UNAUDITED

	Unaudited Half year ended 30 June 2020	Unaudited Half year ended 30 June 2019	Audited Year ended 31 December 2019
	£'000	£'000	£'000
IFRS 15 financing income	**-**	186	244
Interest income	**5**	3	9
Fair value movement on foreign exchange contracts	**520**	-	-
Finance income	**525**	189	253

7. TAXATION – UNAUDITED

The taxation charge is recognised based on management's best estimate of the weighted average annual tax rate expected for the full financial year.

The tax credit for the period has been calculated at an effective rate of -11.4% (half year ended 30 June 2019: tax charge at an effective rate of 40.8%; year ended 31 December 2019 tax credit at an effective rate of: -1.6%). The differences to the standard rate of 19% are due to the effects of non-taxable income, effects of changes in tax rates and the recognition of deferred tax on losses arising in previous periods.

8. EARNINGS PER SHARE – UNAUDITED

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 (4,618,735 at 30 June 2020, and 30 June 2019 and 31 December 2019). The weighted average number of shares for the half year ended 30 June 2019 has been restated to include the impact of 16,617,198 shares held in the Employee Benefit trust for the sole benefit of the Group's founder shareholders. As this beneficial interest was unconditional, the shares should have not been excluded from the weighted average number of shares. During 2019, these shares were transferred to the beneficial owners.

When calculating diluted earnings per share, the weighted average number of shares is adjusted to assume conversion of 2,743,623 (2019: 689,727) of dilutive options granted to employees.

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

	Unaudited Half year ended 30 June 2020	Unaudited Half year ended 30 June 2019 (Restated)	Audited Year ended 31 December 2019
Earnings (£'000)			
Earnings for the purposes of basic and diluted earnings per share being loss for the year attributable to equity shareholders	**3,094**	741	7,556
Number of shares			
Weighted average number of shares for the purposes of basic earnings per share	**146,954,065**	145,470,420	145,720,683
Weighted average dilutive effects of warrants	**1,450,000**	1,450,000	1,450,000
Weighted average dilutive effect of conditional share awards	**2,743,623**	933,425	689,727
Weighted average dilutive effect of deferred consideration	**193,799**	968,993	1,064,033
Weighted average number of shares for the purposes of diluted earnings per share	**151,341,487**	148,822,838	148,924,443
Profit/(loss) per ordinary share (pence)			
Basic profit/(loss) per ordinary share	**2.11**	0.51	5.19
Diluted profit/(loss) per ordinary share	**2.04**	0.50	5.07

9. PROPERTY, PLANT AND EQUIPMENT – UNAUDITED

	Leasehold improvements	Fixtures and fittings	Computer hardware	IFRS 16 Right of use asset	**Total**
	£'000	£'000	£'000	£'000	**£'000**
COST					
As at 1 January 2019	1,312	734	2,409	-	**4,455**
Additions	584	210	2,894	7,725	**11,413**
Transfers	(409)	409	-	-	**-**
Acquisition of subsidiary	-	-	25	-	**25**
As at 31 December 2019	1,487	1,353	5,328	7,725	**15,893**
Additions	528	50	810	2,131	**3,519**
Transfers	(18)	18	-	-	**-**
Acquisition of subsidiary	-	-	15	120	**135**
As at 30 June 2020	**1,997**	**1,421**	**6,153**	**9,976**	**19,547**
DEPRECIATION					
As at 1 January 2019	278	227	1,454	-	**1,959**
Charge for the period	290	269	762	905	**2,226**
Effect of translation to presentation currency	-	-	(7)	-	**(7)**
As at 31 December 2019	568	496	2,209	905	**4,178**
Charge for the period	182	184	641	642	**1,649**
As at 30 June 2020	**750**	**680**	**2,850**	**1,547**	**5,827**
NET BOOK VALUE					
As at 31 December 2019	919	857	3,119	6,820	**11,715**
As at 30 June 2020	**1,247**	**741**	**3,303**	**8,429**	**13,720**

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

10. CURRENT AND NON-CURRENT LIABILITIES – UNAUDITED

	Unaudited Half year ended 30 June 2020	Unaudited Half year ended 30 June 2019	Audited Year ended 31 December 2019
Trade and other payables			
Trade payables	**2,283**	6,282	3,103
Contract liabilities	**520**	840	394
Tax and social security	**1,776**	1,130	1,114
Other payables, accruals and deferred income	**7,171**	6,309	8,819
IFRS16 lease liabilities	**1,263**	1,025	816
	13,013	15,586	14,246
Non-current liabilities – IFRS16 lease liabilities	**7,895**	4,021	6,524

11. SHARE-BASED PAYMENTS – UNAUDITED

During the period awards were made over the Company's ordinary shares of £0.01 each under The Sumo Group plc Long Term Incentive Plan (the "LTIP"). The fair value of the awards has been calculated and a charge of £832,000 has been recognised in the income statement with a corresponding credit to retained earnings. The maximum number of Ordinary Shares which may be issued in future periods in respect of awards outstanding at 30 June 2020 are 10,289,975, of which 4,618,735 are already issued and held in the Employee Benefit Trust.

A further cost of £231,000 has been recognised in the half year ended 30 June 2020 in respect of future national insurance contributions on share based payments.

12. BUSINESS COMBINATIONS – UNAUDITED

On 14 May 2020, the Group acquired Lab42 Limited (Lab42) for consideration of £493,000. Net consideration was £197,000, as Lab42 had £296,000 of cash on the balance sheet at the date of acquisition. The Company will continue to operate under the Lab42 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	Fair value adjustments	Fair value
	£'000	£'000	£'000
Assets			
Intangible assets	-	58	58
Property, plant and equipment	135	-	135
Trade and other receivables	415	-	415
Cash and cash equivalents	296	-	296
	846	58	904
Liabilities			
Trade and other payables	(416)	-	(416)
			488
Goodwill			5
			493
Summary of net cash inflow from acquisition			
Cash paid			493
Cash acquired			(296)
Cash consideration transferred			197
Purchase consideration			
Cash paid			493
Acquisition costs charged to expenses			102

13. POST BALANCE SHEET EVENTS – UNAUDITED

On 21 July 2020 the Group placed 7,588,500 new ordinary shares of £0.01p each at a price of £1.80 per share, raising gross proceeds before fees of £13.7m.

On 29 September 2020, the Group entered into a contract to acquire Pipeworks Inc ("Pipeworks"). The Group has agreed to acquire 100% of the issued share capital of Lake Street Labs Buyer Corp ("Lake Street Labs"), the holding company of Pipeworks, for an agreed enterprise value of up to $99.5 million.

The initial consideration (the "Initial Consideration") is $60m subject to typical adjustments for cash, debt and normalized working capital and will be payable in the form of $35 million in cash in US Dollars at completion, funded from existing resources, and $25 million in ordinary shares in Sumo Group.

Additional earnout consideration of up to and capped at a maximum of $40m, based on the Group's current share price, may be payable subject to the satisfaction of certain performance targets, which are based on Pipeworks' EBITDA for the years ending 31 December 2020 and 31 December 2021, and in the case of 2021 EBITDA, the level of contracted and in contract revenue for the year ending 31 December 2022 (assessed at 31 December 2021).

Completion of the Acquisition is subject to certain pre completion conditions, including the separation of MetaTeq, Inc (a division servicing the public sector with a focus on serious gaming), and the allotment and admission to trading on AIM ("Admission") of the Sumo Group consideration shares. Admission is expected to take place by the end of October 2020.

As at 29 September 2020, Sumo Group had cash balances of £30.3m. To support the enlarged Sumo Group's liquidity position, Sumo Group has extended its existing facility agreement with its bankers, Clydesdale Bank plc to a £30m facility.

14. ALTERNATIVE PERFORMANCE MEASURES – UNAUDITED

A reconciliation of unaudited IFRS reported results to the unaudited underlying income statement is shown below.

	Unaudited half year ended 30 June 2020	Deferred costs on Co-funded contracts	**Adjusted half year ended 30 June 2020**
	£'000	£'000	**£'000**
Revenue	**26,302**	-	**26,302**
Gross profit	**10,839**	696	**11,535**

	Unaudited half year ended 30 June 2019	Deferred costs on Co-funded contracts	**Adjusted half year ended 30 June 2019**
	£'000	£'000	**£'000**
Revenue	**20,766**	-	**20,766**
Gross profit	**9,297**	464	**9,761**

	Audited year ended 31 December 2019	Deferred costs on Co-funded contracts	**Adjusted Year ended 31 December 2019**
	£'000	£'000	**£'000**
Revenue	**48,987**	-	**48,987**
Gross profit	**23,928**	1,292	**25,220**

Results reconciliation **Half year ended 30 June2020**

	Reported	Adjustments	Underlying
	£'000	£'000	£'000
Revenue	26,302	-	26,302
Gross profit	**10,839**	**696**	**11,535**
Operating expenses excluding depreciation, amortisation and exceptional items	(5,883)	-	(5,883)
Investment in co-funded games expensed	696	(696)	-
Operating lease costs capitalised under IFRS 16	(706)	-	(706)
Share based payments	1,063	-	1,063
Adjusted EBITDA	**6,009**	**-**	**6,009**
Depreciation	(1,649)	642	(1,007)
Net finance costs	334	120	454
Investment in co-funded games expensed	(696)	696	-
Operating lease costs capitalised under IFRS 16	706	(706)	-
Amortisation of software	(171)	-	(171)

Adjusted profit before tax, share based payment charge, IFRS 16 adjustments, exceptional items and amortisation of customer contracts and customer relationships	**4,533**	**752**	**5,285**
Operating expenses – exceptional	(677)		
Share based payment charge	(1,063)		
Amortisation of customer contracts and relationships	(15)		
Profit/(loss) before taxation	**2,778**		

			Half year ended 30 June 2019
	Reported	Adjustments	Underlying
Revenue	20,766	-	20,766
Gross profit	9,297	464	9,761
Operating expenses excluding depreciation, amortisation and exceptional items	(6,036)	-	(6,036)
Investment in co-funded games expensed	464	(464)	-
Operating lease costs capitalised under IFRS 16	(513)	-	(513)
Share based payments	2,002	-	2,002
Adjusted EBITDA	**5,214**	**-**	**5,214**
Depreciation	(985)	441	(544)
Net finance costs	(155)	69	(86)
Investment in co-funded games expensed	(464)	464	-
Operating lease costs capitalised under IFRS 16	513	(513)	-
Amortisation of software	(79)	-	(79)
Adjusted profit before tax, share based payment charge, IFRS 16 adjustments, exceptional items and amortisation of customer contracts and customer relationships[1]	**4,044**	**461**	**4,505**
Operating expenses – exceptional	(311)		
Share based payment charge	(2,002)		
Amortisation of customer contracts and relationships	(480)		
Profit/(loss) before taxation	**1,251**		

1: In the interim results announcement for the half year ended 30 June 2019, Adjusted profit before tax was presented after IFRS16

			Year ended 31 December 2019
	Reported	Adjustments	Underlying
	£’000	£’000	£’000
Revenue	48,987	-	48,987
Gross profit	**23,928**	**1,292**	**25,220**
Operating expenses excluding depreciation, amortisation and exceptional items	(12,846)	-	(12,846)
Investment in co-funded games expensed	1,292	(1,292)	-
Operating lease costs capitalised under IFRS 16	(986)	-	(986)
Share based payments	2,684	-	2,684
Adjusted EBITDA	**14,072**	**-**	**14,072**
Depreciation	(2,226)	905	(1,321)
Net finance costs	(60)	149	89
Investment in co-funded games expensed	(1,292)	1,292	-
Operating lease costs capitalised under IFRS 16	986	(986)	-
Amortisation of software	(213)	-	(213)
Adjusted profit before tax, share based payment charge, IFRS 16 adjustments, exceptional items and	**11,267**	**1,360**	**12,627**

amortisation of customer contracts and customer relationships	
Operating expenses – exceptional	(523)
Share based payment charge	(2,684)
Amortisation of customer contracts and relationships	(621)
Profit/(loss) before taxation	**7,439**

Adjusted Earnings Per Share

Basic adjusted earnings per share is calculated by dividing the adjusted earnings attributable to equity shareholders by the adjusted weighted average number of ordinary shares in issue at the reporting date. The adjusted weighted average number of shares differs from the statutory measure as it includes 950,000 nil cost options issued on IPO, of which only 500,000 were exercised as at 30 June 2020 (30 June and 31 December 2019: 500,000). The calculation of Adjusted earnings per share is based on Adjusted profit before tax presented below, after a pro-forma rate of tax of 19%.

Diluted adjusted earnings per share is calculated by dividing adjusted earnings by the total number of potential future shares, including all those in granted in respect of Share Option schemes where performance conditions have not yet been met.

When calculating diluted earnings per share, the number of shares is adjusted to assume conversion of 10,739,975 (June 2019: 9,289,215, December 2019: 9,640,194) of potentially dilutive options granted to employees, nil (June 2019 and December 2019: 1,162,791) shares to be issued in respect of deferred consideration on acquisition and 1,450,000 (June and December 2019: 1,450,000) of warrants.

	Half year ended 30 June 2020	Half year ended 30 June 2019	Year ended 31 December 2019
Adjusted earnings per share			
Weighted average number of shares for the purposes of basic adjusted earnings per share	**150,895,404**	146,403,846	146,410,409
Fully dilutive potential number of shares	**159,346,530**	156,696,386	158,239,287
Basic AEPS (pence)	**2.84**	2.49	6.99
Diluted AEPS (pence)	**2.69**	2.33	6.46

FINANCIAL CALENDAR

Announcement of half-year results	30 September 2020
Financial year end	31 December 2020
Announcement of full-year results	April 2021
Publication of Annual Report and Accounts	May 2021
Annual General Meeting	June 2021