

Sumo Digital Holdings Limited

Annual report and financial statements

Registered number 09155970

31 December 2015

SATURDAY



A5509E5S

A21

16/04/2016

#359

COMPANIES HOUSE

Contents

	Page
Company information	1
Strategic report	2
Directors' report	3
Statement of directors' responsibilities	5
Independent auditor's report	6
Consolidated profit and loss account	8
Consolidated statement of other comprehensive income	8
Consolidated balance sheet	9
Company balance sheet	10
Consolidated statement of changes in equity	11
Company statement of changes in equity	12
Consolidated cash flow statement	13
Notes to the accounts	14

Company Information

Directors

A Ball
K Beaty
C Cavers
P Frame
I Livingstone
D Mills
P Porter
C Stockwell

Registered office

32 Jessops Riverside,
Brightside Lane,
Sheffield
S9 2RX

Auditor

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Strategic Report

The directors present their strategic report and the financial statements for the year ended 31 December 2015.

Business review

The Group has had a strong trading performance in 2015, notwithstanding the difficult economic climate. The Group continues to be well placed to take advantage of the new console platforms launched by Microsoft and Sony and the Group has continued to trade satisfactorily since the balance sheet date.

Key performance indicators are considered to be Turnover, Profit After Tax and Net Debt.

For the year Group Turnover was £21.6m, Profit After Tax was £1.7m.

The Group has consistently operated within the finance facilities available and at 31 December 2015 has net debt of £11.2m. Sales prospects both in the UK and worldwide have continued to show a recovery and new console platforms launched by Microsoft and Sony are continuing to sell well.

Principal risks and uncertainties

Governance and risk management

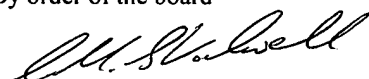
The Board is responsible for the Group's risk management and for ensuring that robust processes are in place to identify, manage and report risks that threaten the business objectives of the Group. These include Financial, Operational and Regulatory compliance risks. The principal features of the Group's risk management regime are:

A strong control environment. This is founded on an appropriate organisational structure for planning, executing, controlling and monitoring business operations. It includes clearly defined responsibilities and accountabilities.

Control procedures. These include budgetary systems and management controls to manage financial risks; timely and accurate management information in respect of key performance measures, and procedures to ensure complete and accurate accounting, which is regularly reviewed by the Board.

The risk of project cancellation and customer confidence is managed by providing high quality products on time and to customer specifications.

By order of the board



C Stockwell
Director

32 Jessops Riverside
Brightside Lane
South Yorkshire
Sheffield
S9 2RX

12 April 2016

Directors' report

The directors present their Directors' report and the financial statements for the year ended 31 December 2015.

Research and development

The Group supports innovation which is recognised to be research and development expenditure. The expenditure relating to research and development is charged to the profit and loss account in the period in which it is incurred.

Dividends

Dividends paid during the year comprise a dividend for the year ended 31 December 2015 of £28.23 per A share, £65,000 per E1 share, £5,000 per E2 share and £49,000 per E3 share.

Directors

The directors who held office during the year were as follows:

A Ball	appointed 25 June 2015
K Beaty	
C Cavers	
P Frame	
J Hall	resigned 8 April 2015
I Livingstone	appointed 10 December 2015
D Mills	
P Porter	
C Stockwell	

Employees

The Group has an equal opportunities policy with regards to employees and promotes policies and practices that keep all employees informed on employees' interests and company matters. The employee numbers are shown in note 4 to the financial statements.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' report (continued)

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



C Stockwell
Director

32 Jessops Riverside
Brightside Lane
South Yorkshire
Sheffield
S9 2RX

12 April 2016

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the company profit or loss for that period. In preparing the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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 group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of Sumo Digital Holdings Limited

We have audited the financial statements of Sumo Digital Holdings Limited for the period ended 31 December 2015 set out on pages 8 to 33. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page , the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2015 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

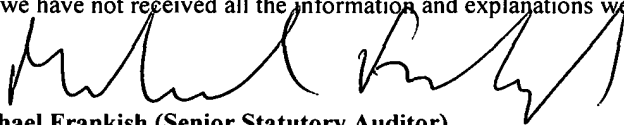
- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Sumo Digital Holdings Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



Michael Frankish (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

12 April 2016

Consolidated Profit and Loss Account

for year ended 31 December 2015

	Note	2015 £	2014 £
Turnover	2	21,566,348	2,963,399
Administrative expenses		(22,472,460)	(3,462,232)
Operating profit before amortisation		1,684,404	(132,097)
Amortisation		(2,590,516)	(366,736)
Group operating loss	3, 4, 5	(906,112)	(498,833)
Other interest receivable and similar income	6	3,186	2,324
Interest payable and similar charges	7	(1,266,236)	(204,240)
Loss on ordinary activities before taxation		(2,169,162)	(700,749)
Tax on profit/(loss) on ordinary activities	8	3,856,208	433,599
Profit/(loss) for the financial year		1,687,046	(267,150)

Consolidated Other Comprehensive Income

for year ended 31 December 2015

	Note	2015 £	2014 £
Profit/(loss) for the year		1,687,046	(267,150)
Foreign exchange differences on translation of foreign operations		-	(1,400)
Total comprehensive income for the year		1,687,046	(268,550)

The notes on pages 14 to 33 form part of these financial statements.

The profit for the period arises from the Group's continuing operations.

There are no differences between the profit for the period and the historical cost result for the period.

Consolidated Balance Sheet

at 31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Intangible assets	9	7,148,051	9,610,770
Tangible assets	10	1,659,555	1,606,512
		<u>8,807,606</u>	<u>11,217,282</u>
Current assets			
Debtors	12	9,790,121	3,980,419
Cash at bank and in hand		4,346,996	2,468,933
		<u>14,137,117</u>	<u>6,449,352</u>
Creditors: amounts falling due within one year	13	<u>(7,236,637)</u>	<u>(7,234,039)</u>
Net current assets/(liabilities)		<u>6,900,480</u>	<u>(784,687)</u>
Total assets less current liabilities		<u>15,708,086</u>	<u>10,432,595</u>
Creditors: amounts falling due after more than one year	14	<u>(14,586,256)</u>	<u>(10,687,558)</u>
Provisions for liabilities	16, 17	<u>(29,711)</u>	<u>(13,483)</u>
Net assets		<u>1,092,119</u>	<u>(268,446)</u>
Capital and reserves			
Called up share capital	19	117	100
Share premium account		6	4
Profit and loss account		1,091,996	(268,550)
Shareholders' funds		<u>1,092,119</u>	<u>(268,446)</u>

The notes on pages 14 to 33 form part of these financial statements.

These financial statements were approved by the board of directors on 12 April 2016 and were signed on its behalf by:



C Stockwell
Director

Company registered number: 09155970

Company Balance Sheet
at 31 December 2015

	<i>Note</i>	2015 £	2014 £
Fixed assets			
Investments	11	104	104
		<hr/>	<hr/>
Current assets			
Cash at bank and in hand		5	-
Debtors	12	730,000	-
		<hr/>	<hr/>
		730,005	-
		<hr/>	<hr/>
Creditors: amounts falling due within one year	13	(326,486)	-
Net current assets		403,519	-
		<hr/>	<hr/>
Total assets less current liabilities		403,623	-
		<hr/>	<hr/>
Net assets		403,623	104
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	19	117	100
Share premium account		6	4
Profit and loss account		403,500	-
		<hr/>	<hr/>
Shareholders' funds		403,623	104
		<hr/>	<hr/>

The notes on pages 14 to 33 form part of these financial statements.

These financial statements were approved by the board of directors on 12 April 2016 and were signed on its behalf by:



C Stockwell
Director

Company registered number: 09155970

Consolidated Statement of Changes in Equity

	Called up Share capital	Share Premium account	Profit & loss account	Total equity
	£	£	£	£
Balance at 1 January 2014	100	4	-	104
Total comprehensive income for the period				
Profit or loss	-	-	(267,150)	(267,150)
Other comprehensive income	-	-	(1,400)	(1,400)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	-	(268,550)	(268,550)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2014	100	4	(268,550)	(268,446)
	<hr/>	<hr/>	<hr/>	<hr/>
	Called up Share capital	Share Premium account	Profit and loss account	Total equity
	£	£	£	£
Balance at 1 January 2015	100	4	(268,550)	(268,446)
Total comprehensive income for the period				
Profit or loss	-	-	1,687,046	1,687,046
Other comprehensive income	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	-	1,687,046	1,687,046
	<hr/>	<hr/>	<hr/>	<hr/>
Transactions with owners recorded directly within equity				
Issue of shares	17	2	-	19
Dividends	-	-	(326,500)	(326,500)
	<hr/>	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	17	2	(326,500)	(326,481)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	117	6	1,091,996	1,092,119
	<hr/>	<hr/>	<hr/>	<hr/>

The notes on pages 12 to 28 form part of these financial statements.

Company Statement of Changes in Equity

	Called up Share capital	Share Premium account	Profit and loss account	Total equity
	£	£	£	£
Balance at 1 January 2014	-	-	-	-
Issue of shares	100	4	-	104
Balance at 31 December 2014	100	4	-	104

	Called up Share capital	Share Premium account	Profit and loss account	Total equity
	£	£	£	£
Balance at 1 January 2015	100	4	-	104
Profit or loss	-	-	730,000	730,000
Transactions with owners recorded directly within equity				
Dividends	-	-	(326,500)	(326,500)
Issue of shares	17	2	-	19
Balance at 31 December 2015	117	6	403,500	403,623

The notes on pages 12 to 28 form part of these financial statements

Consolidated Cash Flow Statement
for year ended 31 December 2015

	2015 £	2014 £
Cash flows from operating activities		
Profit for the year	1,687,046	(267,150)
Adjustments for:		
Depreciation, amortisation and impairment	3,049,943	432,046
Interest receivable and similar income	(3,186)	(2,324)
Interest payable and similar charges	1,266,236	204,240
(Increase) decrease in debtors	(2,407,613)	48,145
Decrease in creditors	3,078,567	799,074
Taxation	(3,856,208)	(433,599)
Net cash from operating activities	2,814,785	780,435
Tax received	470,012	-
Cash flows from investing activities		
Interest received	3,186	2,324
Acquisition of a subsidiary	-	(11,710,461)
Acquisition of tangible fixed assets	(512,470)	(88,905)
Acquisition of intangible fixed assets	(127,797)	-
Net cash from investing activities	(637,081)	(11,797,042)
Cash flows from financing activities		
Proceeds from the issue of share capital	19	104
Proceeds from new loan	3,844,833	13,500,000
Interest paid	(288,005)	(4,240)
Repayment of borrowings	(4,000,000)	(10,324)
Payment of finance lease liabilities	-	-
Dividends paid	(326,500)	-
Net cash from financing activities	(769,653)	13,485,540
Net increase/(decrease) in cash and cash equivalents	1,878,063	2,468,933
Cash and cash equivalents at 1 January 2015	2,468,933	-
Effect of exchange rate fluctuations on cash held	-	-
Cash and cash equivalents at 31 December	4,346,996	2,468,933

Notes

(forming part of the financial statements)

1 Accounting policies

Sumo Digital Holdings Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1.

In the transition to FRS 102 from old UK GAAP, the Group has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected the financial position and the financial performance of the Group is provided in note 24.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and Directors' Report on pages 2 - 4.

The financial position of the group, liquidity position and financial risk management are also described in the Strategic and Director's report.

The group has considerable financial resources together with long term contracts with a number of key customers. The group is funded by loan notes and bank debt, details of which can be found in note 14. The group's forecast and projections, taking into account appropriate sensitivities in trading performance, show that the company and group should be able to operate within their available borrowing facilities.

The directors therefore have a reasonable expectation that the group and company have adequate resources to continue in operation for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in the financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2015. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities.

Foreign currency

Transactions in foreign currencies are translated to the Group companies' 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 retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The assets and liabilities of foreign operations, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

Notes (continued)

1 Accounting policies (continued)

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future receipts/payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

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

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of tangible fixed assets that had been revalued to fair value on or prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- land & buildings 2% straight line
- leasehold improvements straight line over the length of the lease
- fixtures and fittings 25% straight line
- computer equipment 50% straight line

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes (continued)

1 Accounting policies (continued)

Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

Intangibles

Intangible assets purchased separately, such as software that does not form an integral part of related hardware, are capitalised at cost and amortised on a straight line basis over their useful economic life.

Intangibles assets acquired through a business combination are initially measured at their fair value and amortised on a straight line basis over their useful economic life. Fair value of the acquired intangible assets is calculated based on the estimated future benefits the Group will derive from the asset acquired, discounted at an appropriate WACC. The useful economic lives used are as follows:

Computer software	50% straight line
Customer relationships	10% straight line
Customer contracts	Over the life of the contract

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose. Goodwill is amortised on a straight line basis over 10 years.

Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment in value.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Notes (continued)

1 Accounting policies (continued)

Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes (continued)

1 Accounting policies (continued)

Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Turnover and revenue recognition

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Where a contract is executed or where reasonable certainty exists that a contract will be executed for the provision of professional services, then revenue is recognised by reference to the stage of completion, if this can be reliably estimated. Revenue for such contracts is stated at the costs appropriate to the stage of completion plus attributable profits, less amounts recognised in previous years.

Where the outcome cannot be estimated reliably but the belief exists that payment will be received for work undertaken in excess of costs incurred then costs incurred are deferred to the balance sheet. When certainty becomes more reliable then revenue will be recognised based on the stage of completion and costs deferred will be released to the profit and loss account.

Where the outcome cannot be estimated reliably and work is at the company's risk then costs will be expensed. Royalties are recognised in the period in which they are earned as designated in the contract.

Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and 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 year comprises current and deferred tax.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, 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 timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Video Game Tax Credit

Video game tax credits have only been recognised where management believe that a tax credit will be recoverable based on their experience of obtaining the relevant gaming certificates and the success of similar historic claims.

Notes (continued)

2 Analysis of turnover

All turnover is derived from its principal activity. The geographic split of this turnover is as follows:

	2015 £	2014 £
UK & Ireland	15,108,075	2,626,208
Europe	378,275	-
Rest of the world	6,079,998	337,191
	<u>21,566,348</u>	<u>2,963,399</u>

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2015 £	2014 £
Depreciation of tangible assets	459,427	65,310
Amortisation of goodwill and other intangibles	2,590,516	366,736
Difference on foreign exchange	5,549	(3,428)
Operating lease rentals	279,895	51,403

Auditor's remuneration:

	2015 £	2014 £
Audit of these financial statements – KPMG LLP	5,000	5,000
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of subsidiary financial statements – KPMG LLP	33,000	4,200
– Saffery Champness	21,989	3,000
Taxation compliance services – KPMG LLP	11,000	9,000
– Saffery Champness	10,000	3,000

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2015	2014
Development	230	226
Administration	26	20
	<u>256</u>	<u>246</u>

The aggregate payroll costs of these persons were as follows:

	2015 £	2014 £
Wages and salaries	8,958,890	1,112,021
Social security costs	842,131	118,334
Contributions to defined contribution plans	351,678	108,708
	<u>10,152,699</u>	<u>1,339,063</u>

5 Directors' remuneration

	2015 £	2014 £
Directors' remuneration	628,613	137,226
Company contributions to money purchase pension plans	31,882	61,129
Amounts paid to third parties in respect of directors' services	118,583	3,750

The aggregate of remuneration of the highest paid director was £206,919 (2014: £75,811), and company pension contributions of £7,680 (2014: £975) were made to a money purchase scheme on his behalf.

	Number of directors	
	2015	2014
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>4</u>	<u>4</u>

Notes (continued)

6 Other interest receivable and similar income

	2015 £	2014 £
Other	3,186	2,324
Total interest receivable and similar income	<u>3,186</u>	<u>2,324</u>

7 Interest payable and similar charges

	2015 £	2014 £
On bank loans and overdrafts	142,600	4,514
On loan notes	1,123,636	199,726
Total other interest payable and similar charges	<u>1,266,236</u>	<u>204,240</u>

8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2015 £	2014 £
<i>Current tax</i>		
Current tax on income for the period	2,924,821	429,204
Adjustments in respect of prior periods	1,035,585	-
Total current tax	<u>3,960,406</u>	<u>429,204</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(34,378)	4,395
Adjustments in respect of prior periods	(69,820)	-
Total deferred tax	<u>(104,198)</u>	<u>4,395</u>
Total tax credit	<u>3,856,208</u>	<u>433,599</u>

The over provision in the prior year reflects the final gain as agreed with HMRC on the prior year video game tax credit

Analysis of current tax recognised in profit and loss

	2015 £	2014 £
UK corporation tax	4,006,609	429,204
Double taxation relief	-	-
Foreign tax	(46,203)	-
Total current tax recognised in profit and loss	<u>3,960,406</u>	<u>429,204</u>

Notes (continued)

8 Taxation (continued)

Reconciliation of effective tax rate

	2015 £	2014 £
Profit/(loss) for the year	1,687,046	(267,150)
Total tax credit	3,856,208	433,599
Loss excluding taxation	(2,169,162)	(700,749)
Tax using the UK corporation tax rate of 20.25% % (2014: 21.5%)	(439,255)	(150,661)
Differences between capital allowances for period and depreciation	11,126	3,809
Effect of tax rates in foreign jurisdictions	46,203	5,331
Video games tax relief	(3,292,007)	(381,870)
Other short term timing differences	-	(33,404)
Non-deductible expenses	484,658	42,633
(Relieved)/unrelieved tax losses in the period	(237,616)	17,477
Prior year tax adjustments	(965,765)	-
Amortisation on consolidation	501,970	63,086
Other timing differences	34,478	-
Total tax credit included in profit or loss	(3,856,208)	(433,599)

9 Intangible assets

Group	Goodwill £	Intangibles – customer relationship £	Intangibles – customer contracts £	Computer software £	Total intangibles £
Cost					
Balance at 1 January 2015	2,116,617	4,019,677	3,730,466	110,746	9,977,506
Additions	-	-	-	127,797	127,797
Balance at 31 December 2015	2,116,617	4,019,677	3,730,466	238,543	10,105,303
Amortisation					
Balance at 1 January 2015	31,315	59,469	275,952	-	366,736
Amortisation for the year	211,661	401,968	1,865,233	111,654	2,590,516
Balance at 31 December 2015	242,976	461,437	2,141,185	111,654	2,957,252
Net book value					
At 1 January 2015	2,085,302	3,960,208	3,454,514	110,746	9,610,770
At 31 December 2015	1,873,641	3,558,240	1,589,281	126,889	7,148,051

Amortisation

The amortisation is recognised in the following line items in the profit and loss account:

	2015 £	2014 £
Administrative expenses	2,590,516	366,736
	2,590,516	366,736

Notes (continued)

10 Tangible fixed assets

<i>Group</i>	Land and buildings £	Leasehold costs £	Fixtures & fittings £	Computer hardware £	Total £
Cost					
Balance at 1 January 2015	1,054,009	69,525	64,974	483,314	1,671,822
Additions	-	26,734	34,620	451,116	512,470
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	1,054,009	96,259	99,594	934,430	2,184,292
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
Balance at 1 January 2015	3,712	3,748	5,896	51,954	65,310
Depreciation charge for the year	23,055	33,199	45,321	357,852	459,427
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	26,767	36,947	51,217	409,806	524,737
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 1 January 2015	1,050,297	65,777	59,078	431,360	1,606,512
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	1,027,242	59,312	48,377	524,624	1,659,555
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Land and Buildings

The net book value of land and buildings comprises:

	2015 £	2014 £
Freehold	-	-
Long leasehold	1,027,242	1,050,297
Short leasehold	-	-
	<hr/>	<hr/>
	1,027,242	1,050,297
	<hr/>	<hr/>

Notes (continued)

11 Fixed asset investments – Company

Company	Shares in group undertakings £
<i>Cost</i>	
At beginning and end of year	104
<i>Provisions</i>	
At beginning and end of year	-
<i>Net book value</i>	
At 31 December 2015	104

The undertakings in which the Group's and Company's interest at the year-end is more than 20% are as follows.

	Country of incorporation	Principal activity	Class and percentage of shares held
<i>Subsidiary undertakings</i>			
Sumo Digital Group Limited	United Kingdom	Strategic management services	Ordinary 100%
Sumo Digital Entertainment Limited	United Kingdom	Non trading entity	Ordinary 100%
Sumo Digital Limited	United Kingdom	Video game developer	Ordinary 100%
Mistral Entertainment Limited	United Kingdom	Video game developer	Ordinary 100%
Cirrus Development Limited	United Kingdom	Video game developer	Ordinary 100%
Sumo Digital (Atlantis) Limited	United Kingdom	Video game developer	Ordinary 100%
Sumo Video Games Private Limited (India)	India	Video game developer	Ordinary 100%
Riverside Games Limited	United Kingdom	Dormant	Ordinary 100%
Aghoco 1355 Limited	United Kingdom	Dormant	Ordinary 100%
Aghoco 1337 Limited	United Kingdom	Dormant	Ordinary 100%

Notes (continued)

12 Debtors

	Group 2015 £	2014 £	Company 2015 £	2014 £
Trade debtors	2,684,425	825,321	-	-
Amounts recoverable on contracts	550,387	998,954	-	-
Corporation tax	5,146,004	1,655,610	-	-
Other debtors	94,485	79,602	-	-
Deferred tax assets (see note 16)	-	88,305	-	-
Prepayments and accrued income	1,314,820	332,627	-	-
Amounts owed by group undertakings	-	-	730,000	-
	<u>9,790,121</u>	<u>3,980,419</u>	<u>730,000</u>	<u>-</u>

13 Creditors: amounts falling due within one year

	Group 2015 £	2014 £	Company 2015 £	2014 £
Loan notes – series B	-	4,000,000	-	-
Bank loans and overdrafts	985,000	60,633	-	-
Trade creditors	1,618,956	915,629	-	-
Taxation and social security	630,510	481,062	-	-
Accruals and deferred income	4,002,171	1,776,715	-	-
Amounts due to group undertakings	-	-	326,486	-
	<u>7,236,637</u>	<u>7,234,039</u>	<u>326,486</u>	<u>-</u>

Notes (continued)

14 Creditors: amounts falling after more than one year

	Group 2015 £	2014 £	Company 2015 £	2014 £
Loan notes – series A	10,624,116	9,500,000	-	-
Bank loans	3,761,250	1,187,558	-	-
Loan notes – other	200,890	-	-	-
	<u>14,586,256</u>	<u>10,687,558</u>	<u>-</u>	<u>-</u>

Barclays Bank Plc holds a debenture giving a fixed and floating charge over the group's assets as security for borrowings and a legal charge over the property held by the group.

Included in the above is a bank loan of £798,000 (2014 - £nil) which is a fixed term loan repayable in quarterly instalments and carries interest at 3% above LIBOR.

Also included above is a bank loan of £929,000 (2014 - £nil) which is a fixed term loan repayable in quarterly instalments commencing in 2019 and carries interest at 4.25% above LIBOR.

Also included above is a bank loan of £3,019,250 (2014 - £nil) which is a fixed term loan repayable in quarterly instalments and carries interest at 3.75% above LIBOR.

Subordinate to this is a further debenture giving a fixed and floating charge over the company's assets as security for the Loan Notes disclosed above, to NorthEdge Capital LLP as security agent for NorthEdge Capital Fund 1 LP and NorthEdge Capital 1 GP LLP.

The Series A Loan Notes bear interest at 10% per annum and are repayable by 7 November 2019. £9,286,785 is due to NorthEdge Capital Fund 1 LP, and £213,215 is due to NorthEdge Capital 1 GP LLP. £1,098,886 of accrued interest is due to NorthEdge Capital Fund 1 LP, and £25,229 of accrued interest is due to NorthEdge Capital GP LLP. Both of these entities are controlled by NorthEdge Capital LLP.

Series A Loan Notes and accrued interest of £3,500,000 were repaid on 4 March 2016.

Series B Loan Notes and accrued interest of £4,000,000 were repaid on 6 May 2015.

The Other Loan notes bear interest at 10% per annum and are repayable by 7 November 2019. £125,308 is due to I Livingstone and £75,582 is due to K Beaty.

Notes (continued)

15 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2015 £	2014 £
Creditors falling due within less than one year		
Secured bank loans and overdrafts	985,000	60,633
Loan notes – Series B	-	4,000,000
	<u>985,000</u>	<u>4,060,633</u>
Creditors falling due more than one year		
Bank loans	3,761,250	1,187,558
Loan notes – Series A	10,624,116	9,500,000
Loan notes - other	200,890	-
	<u>14,586,256</u>	<u>10,687,558</u>

16 Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

Group	Liabilities 2015 £	2014 £
As at 31 December 2014	(88,305)	(83,910)
Charge to profit and loss in the period	104,198	(4,395)
	<u>15,893</u>	<u>(88,305)</u>

Deferred tax liabilities relate to fixed asset timing differences.

Notes (continued)

17 Provisions

Group	Employee related provisions £
Balance at 1 January 2015	13,483
Provisions made during the year	335
	<hr/>
Balance at 31 December 2015	13,818
	<hr/>

Employee related provisions – certain employees of the group based in India are contractually due certain payments on their retirement. The provision made represents the group's best estimate of the liability discounted to present value.

18 Employee benefits

Defined contribution plans

The Group operates a defined contribution pension plan. The total expense relating to these plans in the current year was £351,678 (2014: £108,708).

Notes (continued)

19 Called up share capital

	2015 £	2014 £
<i>Allotted, called up and fully paid</i>		
7,350 A ordinary shares of £0.01 each (2014 - 7,350)	73	73
2,840 B ordinary shares of £0.01 each (2014 - 2,205)	28	22
1,000 C1 ordinary shares of £0.00001 each (2014 - 1,000)	-	-
1,000 C2 ordinary shares of £0.00001 each (2014 - 1,000)	-	-
1,000 C3 ordinary shares of £0.00001 each (2014 - 1,000)	-	-
1,000 C4 ordinary shares of £0.00001 each (2014 - 1,000)	-	-
400 D1 ordinary shares of £0.01 each (2014 - nil)	4	-
2 D2 ordinary shares of £0.01 each (2014 - 2)	-	-
190 D3 ordinary shares of £0.01 each (2014 - 80)	2	1
465 D4 ordinary shares of £0.01 each (2014 - 355)	5	4
500 D5 ordinary shares of £0.01 each (2014 - nil)	5	-
1 E1 ordinary shares of £0.01 each (2014 - 1)	-	-
1 E2 ordinary shares of £0.01 each (2014 - 1)	-	-
1 E3 ordinary shares of £0.01 each (2014 - 1)	-	-
1 E4 ordinary shares of £0.01 each (2014 - 1)	-	-
	<hr/>	<hr/>
	117	100
	<hr/>	<hr/>

On 10 December 2015, 408 Ordinary B shares of £0.01 each were issued for consideration of £4.09

On 10 December 2015, 400 D1 ordinary shares of £0.01 each were issued for consideration of £4.00

On 10 December 2015, 500 D5 ordinary shares of £0.01 each were issued for consideration of £5.00

On 10 December 2015, 110 D3 ordinary shares of £0.01 each were issued for consideration of £1.10

On 10 December 2015, 110 D4 ordinary shares of £0.01 each were issued for consideration of £1.10

On 31 March 2015 236 B ordinary shares of £0.01 each were issued for consideration of £2.88

On 24 November 2015 9 B ordinary shares of £0.01 were purchased by the company for a consideration of £0.09 and cancelled.

All shares rank *pari passu* in all respects except as noted below:

- 1) A and E shares have rights to certain dividends should certain performance targets (as specified in the Articles of Association) be achieved;
- 2) C and D shares carry no rights to dividends;
- 3) E shares carry no rights to dividends other than as noted in point 1 above;
- 4) Certain provisions exist in event of the realisation (a sale, listing or winding up) which vary between the type of shares held (as specified in the Articles of Association);
- 5) Except in certain circumstances specified in the Articles of Association:
 - i. The votes capable of being cast by each holder of the D1, D2, D3 and D4 shares shall be 5% of all the votes capable of being cast on any resolution of the Company (such that the D shares in aggregate hold 20% of the voting rights);
 - ii. The balance of all the votes capable of being cast on any resolution of the Company shall be cast by the holders of A shares *pro rata* to their holdings of A shares;
 - iii. The B, C and E shares carry no voting rights.

Notes (continued)

20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2015 £	2014 £	Company 2015 £	2014 £
Less than one year	66,780	-	-	-
Between one and five years	137,112	200,527	-	-
More than five years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	203,892	200,527	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

During the year £279,895 was recognised as an expense in the profit and loss account in respect of operating leases (2014: £51,403).

21 Contingencies

Barclays Bank PLC holds a debenture giving a fixed and floating charge over the company's assets as security for any borrowings and a legal charge over the property held by the group of companies of which this company is a member.

Subordinate to this is a further debenture giving a fixed and floating charge over the company's assets as security for the Loan Notes issued by the group of companies of which this company is a member, to NorthEdge Capital LLP as security agent for NorthEdge Capital Fund 1 LP and NorthEdge Capital 1 GP LLP.

22 Related parties

At the year end the group owed NorthEdge Capital Fund 1 LLP £10,385,672 and NorthEdge Capital 1 GP LLP £238,444 which comprises of initial capital and accrued interest on series A Loan notes.

During the year the group paid a combined amount of interest of £139,178 to NorthEdge Capital Fund 1 LLP and NorthEdge Capital 1 GP LLP, both controlled by NorthEdge Capital LLP.

During the year the group received £125,000 from I Livingstone in the form of Loan notes. At the year end the group owed I Livingstone £125,308 which comprises of initial capital and accrued interest. I Livingstone is a Director of the group.

During the year the group received £75,000 from K Beaty in the form of Loan notes. At the year end the group owed K Beaty £75,582 which comprises of initial capital and accrued interest. K Beaty is a director of the group.

During the year the group purchased services from NorthEdge Capital LLP of £75,000.

During the year the group purchased goods and services from Cragg Wood Limited, a company of which K Beaty is a director, who is also a director of Sumo Digital Holdings Limited, of £43,583 (2014: £7,576).

Notes (continued)

23 Controlling party

The company is ultimately controlled by the members of NorthEdge Capital LLP, a limited liability partnership registered in the United Kingdom.

24 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Group's and Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.

On transition FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Fair value or revaluation as deemed cost – The previous GAAP revaluation at transition date has been used as deemed cost for land and buildings held within tangible fixed assets. These assets will subsequently be depreciated over their remaining useful economic life.

Group

In preparing its FRS 102 balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Group's financial position and financial performance is set out in the following tables.

These tables show the following adjustments:

- Identification of the fair value of intangibles on acquisition in the prior year. This figure has subsequently been reclassified from goodwill to other intangibles.
- Amortisation of these intangibles over their revised useful economic life, with an impact on balance sheet carrying value and related charge to administrative expenses.
- Reclassification of capitalised software from tangible to intangible assets.

Company

There were no adjustments on transition to the Company's financial statements in accordance with FRS 102.

Notes (continued)

24 Explanation of transition to FRS 102 from old UK GAAP (continued)

Reconciliation of equity

Group		31 December 2014	
	UK GAAP	Effect of transition to FRS 102	FRS 102
Note	£	£	£
Fixed assets			
Intangible assets - goodwill	9,793,446	(7,750,143)	2,043,303
Intangible assets - other	-	7,567,467	7,567,467
Tangible fixed assets	1,717,258	(110,746)	1,606,512
	<u>11,510,704</u>	<u>(293,422)</u>	<u>11,217,282</u>
Current assets			
Debtors	3,980,419	-	3,980,419
Cash at bank and in hand	2,468,933	-	2,468,933
	<u>6,449,352</u>	<u>-</u>	<u>6,449,352</u>
Creditors: amounts due within one year	<u>(7,234,039)</u>	<u>-</u>	<u>(7,234,039)</u>
Net current liabilities	<u>(784,687)</u>	<u>-</u>	<u>(784,687)</u>
Creditors: amounts falling due after more than one year	<u>(10,687,558)</u>	<u>-</u>	<u>(10,687,558)</u>
Provisions for liabilities	<u>(13,483)</u>	<u>-</u>	<u>(13,483)</u>
Net assets	<u>24,976</u>	<u>(293,422)</u>	<u>(268,446)</u>
Capital and reserves			
Called up share capital	100	-	100
Share premium account	4	-	4
Profit and loss account	24,872	(293,422)	(268,550)
Shareholders' equity	<u>24,976</u>	<u>(293,422)</u>	<u>(268,446)</u>

Notes (continued)

24 Explanation of transition to FRS 102 from old UK GAAP (continued)

Reconciliation of profit for 31 December 2014

	Note	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
Turnover		2,963,399	-	2,963,399
Administrative expenses		(3,168,810)	(293,422)	(3,462,232)
Group operating loss		(205,411)	(293,422)	(498,833)
Other interest receivable and similar income		2,324	-	2,324
Interest payable and similar charges		(204,240)	-	(204,240)
Loss on ordinary activities before taxation		(407,327)	(293,422)	(700,749)
Tax on loss on ordinary activities		433,599	-	433,599
Profit for the year		26,272	(293,422)	(267,150)