

Best of the Best plc
(“Best of the Best”, “BOTB”, “the Company” or “the Group”)

Preliminary results for the twelve months ended 30 April 2018

Best of the Best plc runs competitions online to win cars and other prizes.

Key Highlights:

- Total Revenue of £12.95 million with like-for-like revenue up 13.3% to £12.25 million (2017: £10.81 million)
- Profit before tax increased by 5.8% to £1.60 million (2017: £1.51 million)
- Online revenue of £10.87 million with like-for-like online revenue up 23.0% to £10.28 million (2017: £8.36 million) representing 83.9% of like-for-like revenue
- Net assets of £1.55 million, underpinned by cash balances of £2.32 million (following a 6.5p special dividend paid on 30 June 2017, a 1.4p ordinary dividend paid on 22 September 2017, and a 7.5p special dividend paid on 23 February 2018)
- Special Dividend of 4.5p per ordinary share to be paid to shareholders on 20 July 2018, in addition to the proposed 1.5p ordinary dividend to be paid on 21 September 2018
- Significant price restructuring of the Dream Car competitions has aided revenue growth and assisted customer acquisition and retention
- Newly launched lower priced “Lifestyle Competition” for prizes such as watches, motorbikes and other luxury gadgets and holidays is gaining traction

William Hindmarch, Chief Executive, said:

“I am pleased to report continued progress with a solid set of preliminary results showing both increased revenues and profits before tax, which are slightly ahead of management’s expectations. The business is soon to be exclusively online, as the Board has taken the strategic decision to complete the shift away from the traditional airport and shopping centre based retail locations.

During the year we made some fundamental changes to our competitions, introducing new prizes and making them more accessible by lowering prices significantly. This has helped with the acquisition of new customers and the retention of existing players, resulting in improved overall revenues. These changes, combined with an increasing marketing budget, mean that we are well placed to make progress in the next financial year, which has had a positive start.

Enquiries:

Best of the Best plc	William Hindmarch, Chief Executive Rupert Garton, Commercial Director	T: 020 7371 8866
KTZ Communications	Katie Tzouliadis	T: 020 3178 6378
finnCap (Nominated Adviser and Broker)	<i>Corporate Finance</i> Carl Holmes Anthony Adams <i>ECM</i> Alice Lane	T: 020 7220 0500

The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation 596/2014. Please visit www.botb.com for further information

Chief Executive's Statement

I am pleased to report continued progress with a solid set of preliminary results showing both increasing revenues and profits before tax slightly ahead of management's expectations. A new price structure introduced during the year has repositioned the business to make online customer acquisition more efficient and effective. I am pleased to report that this strategy has been successful with player numbers increasing across multiple competitions.

We have also recently launched a new competition (the 'Lifestyle Competition') to run alongside our main 'Dream Car' competition. Tickets start at just 15 pence and prizes include motorbikes, watches, luxury gadgets, technology, holidays and other items. This has widened both the appeal of our competitions and the addressable market, attracting encouraging feedback and participation.

Results

Total revenue for the twelve months ended 30 April 2018 was £12.95 million and like for like revenues increased 13.30% to £12.25 million (2017: £10.81 million). Like-for-like revenue figures are stated to adjust for, and are net of, the different indirect taxes (VAT/RGD) applicable both during the financial year under review, and in prior years.

Online revenues were £10.87 million and like-for-like online revenues increased by 22.96% to £10.28 million (2017: £8.36 million). Profit before tax rose by 5.83% to £1.60 million (2017: £1.51 million).

The Company has taken the strategic decision to exit all permanent physical retail sites, having demonstrated that it can acquire customers more efficiently through other channels and different forms of marketing, principally online and through social media but also through press and other media. During the period 83.9% of revenues were generated online, and over the coming months sales will migrate almost exclusively online as a phased exit from the remaining physical locations takes place. The Company is currently trading from just three remaining physical sites, two at Gatwick airport and one at Birmingham airport.

£1.81 million of cash flow was generated from operations during the year. Net assets at 30 April 2018 stood at £1.55 million (2017: £1.87 million) underpinned by cash of £2.32 million, our cars on display at physical locations which are held at a net realisable value of £0.13 million, and our 967 year leasehold head office properties carried at £0.95 million.

Dividends

As previously announced, a 1.4p ordinary dividend was paid to shareholders on 22 September 2017 as well as a 6.5p special dividend paid on 30 June 2017 and a 7.5p special dividend paid on 23 February 2018. The Board is recommending a final dividend of 1.5p per share (2017: 1.4p) for the full year ending 30 April 2018 subject to shareholder approval at the Annual General Meeting on 6 September 2018. The final dividend will be paid on 21 September 2018 to shareholders on the register on 7 September 2018.

As the Company continues to be profitable, cash generative and benefits from a robust balance sheet, the Company is also pleased to declare the return of approximately £0.45m to shareholders by way of a special dividend (the "Special Dividend") of 4.5p per ordinary share. Following the payment of the Special Dividend the Company will retain working capital cash balances in excess of £1.8 million, which the Directors consider to be sufficient working capital to fund its activities over the next 12 month period. The Special Dividend will be paid on 20 July 2018 to shareholders on the register at the close of business on 06 July 2018. The Ex-dividend date is 05 July 2018.

Physical Locations

Since inception, the Company has used physical locations such as airports and shopping centres to acquire new players, service existing players and encourage customers to play online. However, all our costs and in particular rent and staff expenditure in these retail locations have continued to increase significantly year-on-year, resulting in reduced efficiency when compared to other available customer acquisition channels. With continued trials, the Company has shown that it can now execute its marketing plan more effectively through other media.

As a result, the Company has over the last few years gradually been reducing the number of physical locations and is in the process of finalising this strategy, with the expectation that in the near future the business will be almost entirely online. Further details around the timing of this shift will be provided in due course, but we are currently trading from only three physical sites. We will, however, continue to undertake targeted physical marketing at motoring related events such as the Goodwood Festival of Speed.

Car Competition Pricing

During the course of the year the business has made significant changes to its pricing model to aid with the acquisition of new players, to assist with the retention of existing customers, and to make the product more suitable for repeating online customers as opposed to the 'traditional' airport customer.

As a result, prices have been reduced by almost 70% over the past 12 months. This has made the core Dream Car Competition more appealing and broader based, as luxury cars can now be won for as little as 90 pence per ticket. The changes have been well received by new and existing customers and as a consequence, revenues overall have increased. Our cost of sales and prizes has risen as a result of more expensive cars being played for and won, but the net effect on business profitability has been positive.

New 'Lifestyle Competition'

During the course of the year the new Lifestyle Competition was launched, and this has recently been enhanced to offer a choice of over 50 luxury watches and 90 motorbikes, as well as cash and other technology, gadgets, holidays and luxury prizes. Tickets start from 15 pence and the competition has proven to be a positive extension to the online offering, with growing revenues week-on-week. This new competition, with such a large range of potential prizes at low price points, both opens up a new audience to target online and gives us interesting content with which to retain existing customers.

Marketing Strategy and New Player Acquisition

We continue to invest confidently in our marketing to attract new customers as well as retain existing ones. Our efforts have resulted in like-for-like online sales growth of 22.96% year-on-year. This has been achieved through a wide range of online and digital marketing channels, as well as investment in new TV creative and content that has been performing well and has delivered growth in player acquisition. This has been combined with ongoing investment in radio, print and public relations.

Social media activity continues to deliver some of our best online marketing results, with our Facebook page now attracting over 215,000 followers and BOTB's YouTube channel which now has over 23,000 subscribers. Instagram followers have now exceeded 50,000 and we now work with an increasing range of social media influencers and vloggers to improve the visibility of the BOTB brand and products.

All our online marketing investment is carefully tracked and constantly fine-tuned to ensure we are optimising the returns. As confidence in the returns on investment improves, we anticipate increasing our marketing budget by approximately 40% in the next financial year, across the full range of previously tested channels.

VAT Claim

As previously announced, BOTB noted the VAT decision given by the Supreme Court in favour of Sportech PLC on 8 December 2016, where the Supreme Court refused Her Majesty's Revenue & Customs ("HMRC") permission to appeal the Court of Appeal's decision regarding the VAT repayment claim on Sportech's "Spot the Ball" game. This resulted in a successful VAT reclaim by Sportech.

BOTB had submitted a protective claim in 2013 to recover overpaid VAT. Following the Supreme Court decision in December 2016, and after taking further specialist legal and tax advice, BOTB submitted a top-up claim, which, combined with the original claim totaled £4.5m (exclusive of professional fees, expenses and tax) to HMRC to recover overpaid VAT covering an eight year period on its own "Spot the Ball" game, as announced on 13 December 2017. As previously announced, post period end on the 23 May 2018, HMRC paid BOTB the £4.5m claim in full. However, the Board still needs to determine the net positive contribution to the Company as, in addition to the points made below, certain professional fees, expenses and unquantified taxes remain outstanding and will be deducted from this figure.

HMRC has informed BOTB that it considers the Company liable to pay retrospective Remote Gaming Duty ("RGD") for a period of four years. The Company has sought legal and tax advice on this issue and, in line with that advice, the Company is contesting HMRC's claim. RGD is the duty regime that the Company registered for in December 2017. While the question of retrospective RGD remains unresolved with HMRC, the Company is unable to announce the full extent of the net positive contribution to the Company. The Board will inform shareholders about material developments and any resolution of this outstanding issue at the relevant time.

Outlook

BOTB has delivered increased revenues and profits slightly ahead of management's expectations and remains strongly cash generative. We believe the business is well positioned for the new financial year, which has started encouragingly, and I look forward to updating shareholders on further progress in due course.

William Hindmarch
Chief Executive
20 June 2018

BEST OF THE BEST PLC

Consolidated Income Statement For The Year Ended 30th April 2018

	Notes	2018 £'000	2017 £'000
CONTINUING OPERATIONS			
Revenue		12,948	10,812
Cost of sales		<u>(5,505)</u>	<u>(3,865)</u>
GROSS PROFIT		7,443	6,947
Administrative expenses		<u>(5,844)</u>	<u>(5,436)</u>
OPERATING PROFIT		1,599	1,511
Finance income		<u>1</u>	<u>1</u>
PROFIT BEFORE TAX		1,600	1,512
Tax	5	<u>(253)</u>	<u>(118)</u>
PROFIT FOR THE YEAR		<u>1,347</u>	<u>1,394</u>
OTHER COMPREHENSIVE INCOME:			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translating foreign operations		<u>1</u>	<u>25</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,348</u>	<u>1,419</u>
Profit on earnings per share expressed in pence per share:			
Basic	6	13.32	13.78
Diluted	6	13.29	13.74

BEST OF THE BEST PLC**Consolidated Statement of Financial Position
30th April 2018**

	Notes	2018 £'000	2017 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets		127	178
Property, plant and equipment		1,145	1,357
Investments		-	70
Deferred tax		40	37
		<u>1,312</u>	<u>1,642</u>
CURRENT ASSETS			
Trade and other receivables		150	245
Cash and cash equivalents		2,322	2,106
		<u>2,472</u>	<u>2,351</u>
TOTAL ASSETS		<u>3,784</u>	<u>3,993</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	7	505	506
Share premium		199	179
Capital redemption reserve		201	198
Foreign exchange reserve		26	25
Retained earnings		615	962
TOTAL EQUITY		<u>1,546</u>	<u>1,870</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		1,929	1,717
Tax payable		103	276
Provisions		206	130
TOTAL LIABILITIES		<u>2,238</u>	<u>2,123</u>
TOTAL EQUITY AND LIABILITIES		<u>3,784</u>	<u>3,993</u>

BEST OF THE BEST PLC

**Consolidated Statement of Changes in Equity
For The Year Ended 30th April 2018**

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000
Balance at 1 May 2016	506	176	198
Issue of share capital	-	3	-
Dividends paid	-	-	-
Transactions with owners	-	3	-
Profit for the year	-	-	-
Other comprehensive income			
Exchange differences arising on translating foreign operations	-	-	-
Total comprehensive income	-	-	-
Balance at 30 April 2017	506	179	198
Issue of share capital	2	20	-
Dividends paid	-	-	-
Effect of share buy back	(3)	-	3
Transactions with owners	(1)	20	3
Profit for the year	-	-	-
Other comprehensive income			
Exchange differences on translating foreign operations	-	-	-
Total comprehensive income	-	-	-
Balance at 30 April 2018	505	199	201

	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 May 2016	-	711	1,591
Issue of share capital	-	-	3
Dividends paid	-	(1,143)	(1,143)
Transactions with owners	-	(1,143)	(1,140)
Profit for the year	-	1,394	1,394
Other comprehensive income			
Exchange differences on translating foreign operations	25	-	25
Total comprehensive income	25	1,394	1,419
Balance at 30 April 2017	25	962	1,870
Issue of share capital	-	-	22
Dividends paid	-	(1,557)	(1,557)
Effect of share buy back	-	(137)	(137)
Transactions with owners	-	(1,694)	(1,672)
Profit for the year	-	1,347	1,347
Other comprehensive income			
Exchange differences on translating foreign operations	1	-	1
Total comprehensive income	1	1,347	1,348
Balance at 30 April 2018	26	615	1,546

BEST OF THE BEST PLC

Consolidated Cash Flow Statement For The Year Ended 30th April 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Cash generated from operations	8	2,237	2,177
Tax paid		<u>(430)</u>	<u>(45)</u>
Net cash from operating activities		1,807	2,132
Cash flows from investing activities			
Purchase of intangible fixed assets		(38)	-
Purchase of tangible fixed assets		(14)	(132)
Sale of tangible fixed assets		132	43
Interest received		<u>1</u>	<u>1</u>
Net cash from investing activities		81	(88)
Cash flows from financing activities			
Equity dividends paid		(1,557)	(1,143)
Share buy back		(137)	-
Share issue		<u>22</u>	<u>3</u>
Net cash from financing activities		<u>(1,672)</u>	<u>(1,140)</u>
Increase in cash and cash equivalents		216	904
Cash and cash equivalents at beginning of year		<u>2,106</u>	<u>1,202</u>
Cash and cash equivalents at end of year		<u><u>2,322</u></u>	<u><u>2,106</u></u>

BEST OF THE BEST PLC

Notes to the Preliminary Announcement For The Year Ended 30th April 2018

1. BASIS OF PREPARATION

The financial information has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards as adopted by the EU (Adopted IFRS) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been recorded under the historical cost convention. The financial information set out above does not constitute the Group's statutory accounts for the year ended 30th April 2018. The statutory accounts for 2018 will be delivered to the Registrar of Companies in due course.

2. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary undertakings). Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. ACCOUNTING POLICIES

The preliminary financial information has been prepared using accounting policies set out in the Group's statutory accounts for the year ended 30th April 2017.

Revenue recognition

Revenue represents the value of tickets sold in respect of weekly competitions, stated net of VAT, where applicable, and returns, rebates and discounts. Revenue in respect of weekly competitions is recognised on the date the result of those individual competitions is determined.

4. CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES

The Company and Group make certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual expenditure may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Uncertain tax position on "Spot the Ball" game

Following the VAT decision given by the Supreme Court in favour of Sportech PLC on 8 December 2016, and after taking further specialist legal and tax advice, the Company submitted a top-up claim to HMRC to recover VAT paid on its own "Spot the ball" game. A protective claim was submitted in 2013. The Company received a retrospective VAT refund in May 2018 of approximately £4.5m.

As a result of the case, HMRC issued VAT Notice 701/29 confirming acceptance of the judgement and stating its assessment that "Spot the Ball" games are subject to Remote Gaming Duty (RGD) instead. The Company has received a retrospective claim for RGD. The Directors have assessed that the two taxes are so closely related that they should not recognise the financial consequences separately. As the overall consequences of these transactions cannot currently be reliably measured, it has been judged appropriate not to recognise any amounts in these financial statements at this time.

BEST OF THE BEST PLC

Notes to the Preliminary Announcement (continued) For The Year Ended 30th April 2018

5. TAX

Analysis of the tax charge

	2018	<i>2017</i>
	£'000	<i>£'000</i>
Current tax:		
Tax	257	220
Overprovision in prior year	-	(106)
Deferred tax	(4)	4
Total tax charge in income statement	<u>253</u>	<u>118</u>

6. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated using the weighted average number of shares outstanding during the year, adjusted to assume the conversion of all dilutive potential ordinary shares under the Group's share option plans.

	2018	<i>2017</i>
Profit for the year and basic and diluted earnings attributable to the owners of the parent - £'000	<u>1,347</u>	<u>1,394</u>
Weighted average number of ordinary shares - number	10,112,997	10,121,247
Basic earnings per share - pence	<u>13.32</u>	<u>13.78</u>
Adjusted weighted average number of ordinary shares - number	10,137,887	10,151,247
Diluted earnings per share - pence	<u>13.29</u>	<u>13.74</u>

7. CALLED UP SHARE CAPITAL

	2018	2017	2018	<i>2017</i>
<i>Ordinary shares of 5pence each</i>	Number	Number	£	<i>£</i>
At the start of the year	10,124,580	10,114,580	506,226	505,726
Shares allotted during the year	30,000	10,000	1,500	500
Purchased for cancellation in the year	(56,000)	-	(2,800)	-
At the end of the year	<u>10,098,580</u>	<u>10,124,580</u>	<u>504,926</u>	<u>506,226</u>

BEST OF THE BEST PLC

Notes to the Preliminary Announcement (continued) For The Year Ended 30th April 2018

8. RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	2018	2017
	£'000	£'000
Profit before tax	1,600	1,512
Depreciation charges	126	228
Amortisation charges	89	89
Profit on sale of property, plant and equipment	(31)	-
Investment impairment charge	70	-
Exchange differences	1	25
Finance income	(1)	(1)
	<u>1,854</u>	<u>1,853</u>
Increase in provisions	76	130
Decrease/(increase) in trade and other receivables	95	(76)
Increase in trade and other payables	212	270
Cash generated from operations	<u>2,237</u>	<u>2,177</u>

9. The annual report and accounts will be posted to shareholders shortly and will be available for members of the public at the Company's registered office, 2 Plato Place, 72-74 St Dionis Road, London, SW6 4TU and will be available on the Company's website: www.botb.com.
10. The Annual General Meeting will be held on 6 September 2018 at the offices of Best of the Best Plc, 2 Plato Place, 72-74 St Dionis Road, London SW6 4TU.
-