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

Announcement of Tender Offer and General Meeting

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

The Company announced today that it intended to return surplus cash to Shareholders by way of a tender offer, pursuant to which finnCap will purchase, as principal, up to approximately 7.1 per cent. of the Company’s Ordinary Shares (1 Ordinary Share for every 14 held) at a price of 485 pence per Ordinary Share, on the basis that the Ordinary Shares that finnCap purchase under the Tender Offer will be subsequently repurchased from it by the Company pursuant to the terms and conditions of the Repurchase Agreement.

If the maximum number of Ordinary Shares under the Tender Offer are acquired this will result in an amount of approximately £3.5 million being paid to Qualifying Shareholders. Shareholders can decide whether they want to tender up to their Basic Entitlement together with potential for further purchases, depending on the number of Shares tendered by other Qualifying Shareholders.

The Tender Offer Price represents a premium of 120.5 per cent. to the middle market closing price of 220 pence per Ordinary Share on 29 January 2019, being the latest practicable date before the release of this announcement.

A circular, containing the formal terms and conditions of the Tender Offer and instructions to Shareholders on how to tender their Ordinary Shares should they choose to do so, together with a Tender Form and Form of Proxy, are expected to be posted to Shareholders later today (the “Circular”). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as defined in the Circular, an extract of which is included below.

Background to and reasons for the Proposals

Your Board considers that it is in the interests of Shareholders to implement the Tender Offer so as to provide those Qualifying Shareholders who wish to sell shares in the Company the opportunity to do so.

On 13 June 2013, the Company announced within its preliminary results for the financial year ended 30 April 2013 that it had submitted a protective claim to recover overpaid VAT amounting to £2.2 million (excluding fees, expenses and tax). The Company noted the VAT decision given by the Supreme Court in favour of Sportech PLC on 8 December 2016, where the Supreme Court refused HMRC permission to appeal the Court of Appeal’s unanimous decision regarding its VAT repayment claim on the “Spot the Ball” competition. This resulted in a successful VAT reclaim by Sportech (the “Sportech Claim”) a company which runs a similar “spot the ball” competition to the one run by the Company.

It was announced on 13 December 2017 that the Company had subsequently submitted a top-up claim following the VAT decision given by the Supreme Court in favour of Sportech. Combined over an eight-year period on its own “spot the ball” competition, the Company’s claims totalled £4.5 million (excluding fees, expenses and tax). On 23 May 2018, the Company announced that it had been paid by HMRC the £4.5 million claim in full but had yet to determine the net positive contribution to the Company, following the deduction of fees, expenses and taxes.

The Company registered under the Remote Gaming Duty (“RGD”) regime in October 2017, whereupon HMRC informed the Company that it was liable to pay retrospective RGD for a period of four years. The Company sought legal and tax advice on this issue and, in line with that advice, the Company contested HMRC’s claim. On 20 December 2018 the Company settled an agreed assessment issued by HMRC for retrospective RGD, making a payment of approximately £1.7 million. The Company can now confirm that the net contribution is approximately £2.5 million following the deduction of professional fees, which is held in the Company’s cash reserves.

As a result of the above exceptional events, the Company has a cash balance surplus to the operational requirements of its continuing activities and accordingly the Company proposes to return up to approximately £3.5 million to Qualifying Shareholders by means of the Proposals. Following completion of the Proposals, the Directors believe that the Company will still have a robust balance sheet, retaining cash balances of in excess of £1.5m, which the Directors consider to be sufficient working capital to fund its activities over the next 12 month period.

In determining the level of return of value, the Board has taken into consideration its aim of improving the Company’s earnings per share, as well as targeting a more efficient capital structure through returning excess balance sheet cash to Shareholders.

In order to return surplus cash to Shareholders by way of the Tender Offer, the Company is required to produce and file a new balance sheet with Companies House, demonstrating that it has sufficient distributable cash reserves. Accordingly, the Company will shortly file an unaudited Company balance sheet as at 31 January 2019. A further announcement will be made once this has been filed.

Benefits of the Proposals

The Board has considered a range of options for returning cash to Shareholders but decided to do this by way of the Tender Offer because it believes this process benefits both Qualifying Shareholders and the Company. In particular, the Directors believe that the Tender Offer:

- provides those Qualifying Shareholders who wish to sell Ordinary Shares with the opportunity to do so;
- is available to all Qualifying Shareholders regardless of the size of their shareholdings;
- ensures equal opportunity to all Qualifying Shareholders to participate in the return of capital by offering a guaranteed Basic Entitlement to all Qualifying Shareholders;
- enables those Shareholders who do not wish to receive capital at this time to maintain their full investment in the Company;
- enables Ordinary Shares to be sold by Qualifying Shareholders free of commissions or charges that would otherwise be payable by them if they were to sell their shares through their broker; and
- will have a positive impact on both the Company's earnings per share and dividend per share as all Ordinary Shares purchased by the Company pursuant to the Repurchase Agreement will be cancelled.

Acceptance of the Tender Offer will constitute a return of capital of 485 pence per share in respect of each Ordinary Share tendered.

Details of the Proposals

The Directors propose that the Tender Offer be made, pursuant to which finnCap will purchase, as principal, up to approximately 7.1 per cent. of the Company's Ordinary Shares at a price of 485 pence per Ordinary Share. The Tender Offer is being made subject to the passing of a special resolution which will be proposed at the General Meeting. The Tender Offer is also subject to the conditions set out in the Repurchase Agreement and Part 2 of the Circular being fulfilled. The Tender Offer is open to Qualifying Shareholders on the Register at 5.00 p.m. on the Tender Offer Record Date.

In accordance with the terms and subject to the conditions of the Repurchase Agreement, finnCap has granted to the Company a call option pursuant to which, the Company may, at its sole discretion, purchase from finnCap the Ordinary Shares purchased by it pursuant to the Tender Offer at a price of 485 pence per Ordinary Share. Under the Repurchase Agreement the Company has also granted to finnCap a put option whereby to the extent that the call option is not exercised by the Company within the prescribed call option exercise period, finnCap may, at its sole discretion, require that the Company purchase such Ordinary Shares from it at a price of 485 pence per Ordinary Share. All of the Ordinary Shares purchased by the Company under the Repurchase Agreement will be cancelled.

The purchase of shares from finnCap pursuant to the Repurchase Agreement will be funded from available cash of the Company and paid out of its distributable reserves. Accordingly, following the completion of the Repurchase, the Company's distributable reserves will be reduced by the size of the Tender Offer. If the call option or put option is exercised pursuant to the Repurchase Agreement, the Company's issued share capital will be reduced to 9,377,253 Ordinary Shares (excluding shares held in treasury), assuming the Tender Offer is taken up in full.

General Meeting

The authorisation of the Repurchase Agreement and, accordingly, the implementation of the Tender Offer, requires, inter alia, the passing of a special resolution.

There is set out at the end of the Circular a notice convening a General Meeting of the Company to be held at the offices of the Company at 2 Plato Place, 72-74 St Dionis Road, London SW6 4TU on 15 February 2019 at 11.00 a.m.

Irrevocable undertakings by Director Shareholders

Directors Michael W Hindmarch, William S Hindmarch, Rupert C E Garton and David Firth who are the registered holders of, in aggregate, 7,493,697 Ordinary Shares, representing approximately 74.2 per cent. Of the Company's current issued share capital, have undertaken to accept the Tender Offer in respect of their Basic Entitlement (as adjusted so as to ensure that their current percentage holdings in the Company do not decrease as a result of such acceptance) and to vote in favour of the Resolution.

Trading update

The results for the six months ended 31st October 2018 were announced this morning in conjunction with this announcement. Adjusted revenue for the six months ended 31 October 2018 was £7.12 million, an increase of 28.5% (2017: £5.54 million). Adjusted profit before tax rose by 14.7% to £1.08 million (2017: £0.95 million) with adjusted earnings per share (excluding exceptional earnings) increasing by a similar percentage to 9.03p (2017: 7.67p). £4.50 million of exceptional income was recognised as a result of the Company's claim for overpaid VAT in prior years, offset by £2.0 million of exceptional expenses, relating to a retrospective RGD assessment by HMRC together with associated legal and professional fees incurred.

As a result, total revenue including exceptional income for the six months ended 31 October 2018 was £11.62 million. Total profit before tax including exceptional items was £3.59 million with fully diluted adjusted earnings per share (including exceptional items) from continuing operations at 29.08p. A total of £5.14 million of cash flow was generated from operations during the period (2017: £0.69 million). Net assets at 31 October 2018 stood at £3.88 million (2017: £1.83 million), underpinned by cash balances of £6.94 million (2017: £2.05 million) and our 967 year leasehold office properties valued at £0.95 million. Current cash balances stand at approximately £5.9 million as at 29 January 2019.

The Company has now completed its move away from physical retail locations (principally airports) to become an online focused operation. With the exception of one remaining site at Birmingham Airport, the Company now acquires customers almost exclusively through online and digital channels. Through continued trials in previous years, the Company proved that it was able to execute its marketing strategy more effectively, instead using predominantly digital media complemented by traditional advertising channels. Its investment in marketing continues to increase and has been returning encouraging results. As a result, their competitions, pricing and product strategy are now tailored exclusively for their growing and increasingly diversified online customer base. The Company has continued to invest strongly to attract new players, resulting in online sales growth of 33% compared with the prior period. This been achieved through a wide range of digital marketing channels, as well as TV, Radio, Print and PR with new creative content that has delivered increasingly efficient customer acquisition figures.

As previously announced, the Company will now be paying RGD instead of VAT on its Spot the Ball competitions going forward but as announced in the most recent budget, the rate of RGD payable will rise by 40% in April 2019, increasing from 15% to 21%. This will impact the Company's operating margins going forward and represents a significantly increased tax burden, when combined with irrecoverable VAT on operating costs that the Company is also now absorbing.

The first half of the year delivered encouraging results for the Company, ahead of management forecasts. The Company's business is well placed for future growth and currently operating ahead of management expectations for the full year, with encouraging trading since the period end. The impending increase in RGD will unavoidably impact operating margins in the next financial year but the Company is exploring options to mitigate this effect. Shareholders will be updated with further progress in due course.

Expected Timetable of Events

Announcement of the Proposals	30 January 2019
Tender Offer opens	30 January 2019
Latest time for receipt of Forms of Proxy	11.00 a.m. on 13 February 2019
General Meeting	11.00 a.m. on 15 February 2019
Latest time for receipt of Tender Forms and TTE Instructions in relation to the Tender Offer	1.00 p.m. on 18 February 2019
Tender Offer Record Date	5.00 p.m. on 18 February 2019
Announcement of results of Tender Offer	19 February 2019
Completion of purchase of Ordinary Shares under the Tender Offer	20 February 2019
Posting of cheques in respect of the Tender Offer, along with any balance certificates or the crediting of CREST accounts	1 March 2019

Enquiries:

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The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation 596/2014
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