

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

Preliminary results for the twelve months ended 30th April 2017

Best of the Best plc (“BOTB”) runs competitions to win cars both online and at key retail locations

Key Highlights:

- Revenue up 7.0% to £10.81 million (2016: £10.10 million)
- Profit before tax increased by 42.7% to £1.51 million (2016: £1.06 million)
- Earnings per share increased by 41.6% to 13.74p (2016: 9.70p)
- Online revenue increased by 18.5% to £8.36 million (2016: £7.06 million) - representing 77.5% of total revenue
- Net assets of £1.87 million, underpinned by cash balances of £2.11 million (following 1.3p ordinary dividend paid in October 2016, and 10p special dividend paid in December 2016)
- Special Dividend of 6.5p per ordinary share to be paid to shareholders in June 2017 in addition to the proposed 1.4p ordinary dividend to be paid in September 2017
- Wholly upgraded website and IT infrastructure successfully launched
- Online marketing investment to acquire new players increased by over 40% to £1.2 million
- Improving margins due to the increasing proportion of online sales, combined with overall scale and competition frequency enabling the Company to negotiate better prices on cars purchased

William Hindmarch, Chief Executive, said:

“I am pleased to announce a solid set of preliminary results with increasing revenues and profits. The transformation from a physical site based retail business to a predominantly online operation has continued, with the majority of our revenues (c.80% in H2) now driven by digital channels and realised through our website, www.botb.com.

The Company significantly increased both the quantity and breadth of its marketing investment over the past year with encouraging results and it is our intention to continue this trend to support growth into the next financial year.

The business is well placed for future growth, with a new and improved website and IT infrastructure in place, and we look forward to updating shareholders on further progress in due course.”

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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 announce a solid set of preliminary results with increased revenues and profits. The shift of revenues towards a predominantly online business continues, which we expect will be enhanced by a new fully responsive mobile website and optimised IT infrastructure launched during the period.

We have continued to increase our marketing investment both online and at our physical sites to support the growth in new customers. The results of this have been encouraging and the customer acquisition budget will increase further this year.

Our new and improved website gives us a strong, fresh and flexible platform on which to improve our online offering, both to attract new players and to extend functionality to retain existing players.

Results

Total revenue for the twelve months ended 30th April 2017 increased by 7.0% to £10.81 million (2016: £10.10 million). Online revenues rose by 18.5% over the period to £8.36 million. Profit before tax rose by 42.7% to £1.51 million (2016: £1.06 million).

Encouragingly, the proportion of online sales rose to 77.5% of total revenue for the period, increasing to 80% for the second half of the year. These higher margin online sales contributed to improved margins overall, which were further aided by increasingly well-informed digital media purchasing and execution. Furthermore, the Company is now buying cars as prizes for winners almost every week and as a result the Company has been able to negotiate better volume discounts from suppliers. This improved purchasing power combined with selective offers and discounts for targeted brands and models has aided margins over the period, contributing to the strong performance.

The Company generated £2.13 million of operating cash flow during the year. Net assets at 30th April 2017 stood at £1.87 million (2016: £1.59 million) and principally comprise cash of £2.11 million, our cars on display at physical locations which are held at a net realisable value of £0.30 million, and our 968 year leasehold office properties valued at £0.95 million.

The Company has noted the recent VAT decision concerning a company with similar activities in our sector. The Company is reviewing this decision and will update shareholders in due course.

Dividends

As previously announced, a 1.3p ordinary dividend was paid to shareholders on 14 October 2016 and a 10p special dividend amounting to £1.01 million was paid on 2nd December 2016. The Board is recommending a final dividend of 1.4p per share (2016: 1.3p) for the full year ending 30th April 2017 subject to shareholder approval at the Annual General Meeting on 7th September 2017. The final dividend will be paid on 22nd September 2017 to shareholders on the register on 8th September 2017.

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 £0.66m to shareholders by way of a special dividend (the "Special Dividend") of 6.5 pence per ordinary share. Following the payment of the Special Dividend the Company will retain cash balances in excess of £1.2 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 30th June 2017 to shareholders on the register at the close of business on 16th June 2017. The Ex-dividend date is 15th June 2017.

New Website Launch

In January 2017, we launched an entirely new website and IT platform that was built from the ground up on a completely new code base and infrastructure, replacing the 2009 legacy systems. The principal aim of this was to give us a modern, mobile optimised platform, offering the flexibility to continually develop and improve the digital offering of the Company over the coming years.

Maximum loads on the previous solution were becoming a limiting factor in the face of a shortened competition lifecycle and increased customer expectations. The new website and infrastructure has been designed and built for greater scale, allowing us to process many more simultaneous transactions.

The new website also offers further enhancements such as a new multi-tiered loyalty club, player leagues, friend referral, and improved gameplay. We are seeking to leverage this functionality throughout the coming year to retain and entertain existing customers and to attract an increasing number of new players.

Marketing Strategy and New Player Acquisition

Whilst retaining, servicing and rewarding our existing customer base is critically important, the Company's principle focus is on increasing our scale and in acquiring new players to participate in our weekly win a car competition. Our key offline channels include the display of physical cars in airports and shopping centre locations, as well as other advertising through TV, radio, print and public relations. Alongside our increased online digital and social media marketing, we have also been placing considerable emphasis on content creation and sponsorship as we work in partnership with various social influencers, vloggers and specialist car websites. The combination of these activities has delivered an 18.5% increase in online sales.

Each of our key channels are carefully assessed to analyse marketing returns versus player lifetime values. The weighting and quantum of investment through each channel and individual campaign is constantly monitored to optimise returns and educate future investment decisions. Greater experience and better data contributes to our confidence in growing our marketing budget. Last year our marketing investment increased by over 40% on the previous year. We are budgeting to further increase our commitment by more than 70%, to approximately £2.0 million in the current financial year.

Our airport and shopping centre locations continue to be a key route to recruit and introduce new players. Over the period we significantly increased transaction levels at these sites, as part of a deliberate strategy to focus on educating and acquiring as many new customers as possible, albeit at the expense of maximising revenues. These physical locations also help build strong brand awareness which aids the efficiency and effectiveness of our online marketing spend. The Company is currently operating from seven airport sites at Gatwick North, Gatwick South, Birmingham, Manchester, Stansted, Edinburgh and Dublin; and one site at the Westfield shopping centre in London's Shepherds Bush.

In the past 12 months, the biggest increase in marketing spend has been on TV advertising as well as through collaborations with social influencers and vloggers. We will be filming and producing a new TV advert in June 2017 and will continue to increase our investment in this medium. Although this channel is much harder to track than much of our digital advertising, we are confident that it has contributed to the overall improvement in metrics in many other areas of our marketing. TV exposure has been supplemented by trials on radio stations, and specifically on regional stations where public relations can support the positive news of a local winner in the area. In line with many other aspirational brands, social influencers and vloggers are attracting an increasing share of our investment. We have been collaborating with and sponsoring several high-profile individuals to help promote the BOTB brand and recruit new players by leveraging their sizeable and very engaged audiences.

Our weekly winner surprises continue to generate very engaging PR opportunities and we work with a specialist agency to ensure we achieve as much coverage from this news as possible. We have been particularly effective with local newspapers and websites as the 'feel-good' content is considered both newsworthy and unique. Our social media platforms continue to gather scale and traction, with our Facebook page now attracting 185,000 followers. Our website metrics and traffic have maintained growth with circa 180,000 unique visitors to www.botb.com each month.

In the next year, we look forward to continued growth in player acquisition through our airport and shopping centre locations, through an increased focus on digital, social and video channels and through further investments in TV and Radio.

Outlook

BOTB has increased both revenues and profits during the year, remains cash generative and is supported by a robust balance sheet. In the current financial year, the Board will focus on executing an increased multi-channel digital marketing plan, leveraging the new website and updated IT infrastructure, whilst ensuring that this strategy provides a solid return on investment for shareholders.

I believe the business is well positioned for the remainder of the financial year, and I look forward to updating shareholders on further progress in due course.

William Hindmarch
Chief Executive
8th June 2017

BEST OF THE BEST PLC

Consolidated Income Statement For The Year Ended 30th April 2017

	2017 £'000	2016 £'000
CONTINUING OPERATIONS		
Revenue	10,812	10,105
Cost of sales	<u>(3,865)</u>	<u>(3,969)</u>
GROSS PROFIT	6,947	6,136
Administrative expenses	<u>(5,436)</u>	<u>(5,078)</u>
OPERATING PROFIT	1,511	1,058
Finance income	<u>1</u>	<u>2</u>
PROFIT BEFORE TAX	1,512	1,060
Tax	<u>(118)</u>	<u>(126)</u>
PROFIT FOR THE YEAR	<u>1,394</u>	<u>934</u>
OTHER COMPREHENSIVE INCOME:		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translating foreign operations	<u>25</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>1,419</u></u>	<u><u>934</u></u>
Profit on earnings per share expressed in pence per share:		
Basic	13.78	9.75
Diluted	13.74	9.70

BEST OF THE BEST PLC

Consolidated Statement of Financial Position As at 30th April 2017

	2017 £'000	2016 £'000
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	178	267
Property, plant and equipment	1,357	1,497
Investments	70	70
Deferred tax	37	41
	<u>1,642</u>	<u>1,875</u>
CURRENT ASSETS		
Trade and other receivables	245	169
Tax receivable	-	4
Cash and cash equivalents	2,106	1,202
	<u>2,351</u>	<u>1,375</u>
TOTAL ASSETS	<u><u>3,993</u></u>	<u><u>3,250</u></u>
EQUITY		
SHAREHOLDERS' EQUITY		
Called up share capital	506	506
Share premium	179	176
Capital redemption reserve	198	198
Foreign exchange reserve	25	-
Retained earnings	962	711
TOTAL EQUITY	<u>1,870</u>	<u>1,591</u>
LIABILITIES		
CURRENT LIABILITES		
Trade and other payables	1,717	1,448
Tax payable	276	211
Provisions	130	-
TOTAL LIABILITIES	<u>2,123</u>	<u>1,659</u>
TOTAL EQUITY AND LIABILITIES	<u><u>3,993</u></u>	<u><u>3,250</u></u>

BEST OF THE BEST PLC

**Consolidated Statement of Changes in Equity
For The Year Ended 30th April 2017**

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve £'000
Balance at 1 May 2015	455	-	197	148
Issue of share capital	52	176	-	-
Dividends paid	-	-	-	-
Share options lapsed or exercised	-	-	-	(148)
Share repurchase	(1)	-	1	-
Transactions with owners	51	176	1	(148)
Profit for the year	-	-	-	-
Total comprehensive income	-	-	-	-
Balance at 30 April 2016	506	176	198	-
Issue of share capital	-	3	-	-
Dividends paid	-	-	-	-
Transactions with owners	-	3	-	-
Profit for the year	-	-	-	-
Other comprehensive income				
Exchange differences on translating foreign operations	-	-	-	-
Total comprehensive income	-	-	-	-
Balance at 30 April 2017	506	179	198	-

	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 May 2015	-	1,763	2,563
Issue of share capital	-	-	228
Dividends paid	-	(2,089)	(2,089)
Share options lapsed or exercised	-	148	-
Share repurchase	-	(45)	(45)
Transactions with owners	-	(1,986)	(1,906)
Profit for the year	-	934	934
Total comprehensive income	-	934	934
Balance at 30 April 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

BEST OF THE BEST PLC

Consolidated Cash Flow Statement For The Year Ended 30th April 2017

	2017	2016
	£'000	£'000
Cash flows from operating activities		
Cash generated from operations	2,177	1,518
Tax paid	<u>(45)</u>	<u>(19)</u>
Net cash from operating activities	2,132	1,499
Cash flows from investing activities		
Purchase of intangible assets	-	(267)
Purchase of property plant and equipment	(132)	(196)
Sale of property plant and equipment	43	163
Interest received	<u>1</u>	<u>2</u>
Net cash from investing activities	(88)	(298)
Cash flows from financing activities		
Equity dividends paid	(1,143)	(2,089)
Share buy back	-	(45)
Share issue	<u>3</u>	<u>228</u>
Net cash from financing activities	(1,140)	(1,906)
Increase /(decrease) in cash and cash equivalents	904	(705)
Cash and cash equivalents at beginning of year	<u>1,202</u>	<u>1,907</u>
Cash and cash equivalents at end of year	<u><u>2,106</u></u>	<u><u>1,202</u></u>

BEST OF THE BEST PLC

Notes to the Preliminary Announcement For The Year Ended 30th April 2017

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 2017. The statutory accounts for 2017 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, returns, rebates and discounts. Revenue in respect of individual weekly competitions is recognised on the date the result of those individual competitions is determined.

Statement of financial position reclassification

The Group has previously classified motor vehicles on display at retail sites as inventory on the basis that customers had the opportunity to win these vehicles and they were therefore considered to form part of the inventory of competition prizes.

As noted in the 2016 financial statements, the competitions have changed in recent years and given the increased choice, it has become much less common for the vehicles on display to actually be taken by customers as prizes. The Directors have therefore concluded that such vehicles ought to have been classified as display items and as a category of plant and equipment in the prior year given the change in the nature of the competitions.

These vehicles have been included in plant and equipment as at 30 April 2017 with a corresponding reclassification in the comparative year. The net amount reclassified from inventories to plant and equipment at 30 April 2016 is £314,240. Cash flows from investing activities for the year ended 30 April 2016 have increased by £157,668 with a corresponding reduction in cash flows from operating activities.

4. TAX Analysis of the tax charge

	2017 £'000	2016 £'000
Current tax:		
Tax	220	87
Overprovision in prior year	(106)	(3)
Deferred tax	4	42
Total tax charge in income statement	<u>118</u>	<u>126</u>

BEST OF THE BEST PLC

Notes to the Preliminary Announcement For The Year Ended 30th April 2017

5. 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.

	2017	2016
Profit for the year and basic and diluted earnings attributable to the owners of the parent - £'000	<u>1,394</u>	<u>934</u>
Weighted average number of ordinary shares - number	<u>10,121,247</u>	<u>9,582,651</u>
Basic earnings per share - pence	<u>13.78</u>	<u>9.75</u>
Adjusted weighted average number of ordinary shares - number	<u>10,152,920</u>	<u>9,626,686</u>
Diluted earnings per share - pence	<u>13.74</u>	<u>9.70</u>

6. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

			2017	2016
Number:	Class:	Value:	£'000	£'000
10,124,580 (2016: 10,114,580)	Ordinary shares	5p	<u>506</u>	<u>506</u>

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

	2017	2016
	£'000	£'000
Profit before tax	1,512	1,060
Depreciation charges	228	141
Amortisation charges	89	-
Profit on sale of property, plant and equipment	-	(50)
Exchange differences	25	-
Finance income	(1)	(2)
	<u>1,853</u>	<u>1,149</u>
Increase in provisions	130	-
(Increase)/decrease in trade and other receivables	(76)	96
(Increase)/decrease in HMRC refund receivable	-	419
Increase/(decrease) in trade and other payables	270	(146)
Cash generated from operations	<u>2,177</u>	<u>1,518</u>

BEST OF THE BEST PLC

Notes to the Preliminary Announcement For The Year Ended 30th April 2017

8. 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.both.com.

 9. The Annual General Meeting will be held on 7th September 2017 at the offices of Best of the Best Plc, 2 Plato Place, 72-74 St Dionis Road, London SW6 4TU.
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