31 May 2019

Stride Gaming plc
(“Stride” or "Stride Gaming" or the “Company" or the “Group")

Interim results for the six months ended 28 February 2019

Resilient performance in the face of challenging trading conditions

Stride Gaming plc (AIM: STR), a leading online gaming operator, announces its interim results for the six months ended 28 February 2019 (the “Period”).

Key Financials

	Unaudited Six months ended 28 Feb 2019 £'000	Unaudited Six months ended 28 Feb 2018 £'000	Change %
Net Gaming Revenue (“NGR”) ^	39,034	44,897	(13.0%)
Adjusted EBITDA*	6,155	7,998	(23.0%)
Adjusted net earnings *	5,229	7,395	(29.3%)
Profit after tax and discontinued operations	1,745	1,465	19.1%
Adjusted basic net earnings per share (in pence)	6.9	10.3	(33.0%)
Basic profit per share (in pence)	2.3	2.05	12.2%

Financial highlights:

- Regulatory headwinds across the UK online gaming market impacted the Group’s performance in the first half of the financial year, resulting in a 13% decrease in Real Money Gaming NGR, a 23.0% decrease in Adjusted EBITDA* and a 29.3% decrease in Adjusted net earnings*;
- Proprietary platform revenue decreased by 9% to £27.0 million (H1 2018: £29.7 million) and Non-proprietary platform decreased by 24% to £11.5 million (H1 2018: £15.1 million), reflecting the Group’s strategy to shift players onto the higher margin, in-house platform;
- The Group retains a solid balance sheet with net cash of £21.9 million (31 August 2018: £28.7 million);
- Post period receipt of contingent consideration of £5.67 million following the disposal of the available-for-sale investment in QSB Gaming Ltd

Operational highlights:

- Proactive strategy to shift towards “casual games” players resulted in:
    - Deposits down 8% to £73 million (H1 2018: £79 million);
    - Yield per player** up 4% to £147 (H1 2018: £141);
    - Funded players^^ down 23% to 118,000 (H1 2018: 153,000);
    - Group gross gaming revenue^^^ (“**GGR**”) through mobile and touch devices increasing by 6% and now represents 72% (H1 2018 68%) of the total Real Money Gaming GGR;
- Stride Together, the Group’s B2B offering, has seen significant traction during the year and performed ahead of management’s initial expectations;
- Rummy Passion business continued to perform in line with the Board’s expectations with further investment in the team, marketing and technology,

Post balance sheet events:

In February 2019, the Board of Stride announced that it was embarking on a strategic review of the business to thoroughly explore all options available to the Group in order to maximise value for its shareholders. Today, the Board of Stride has separately announced that it is in advanced discussions on the terms of a possible recommended cash offer for the Company, for the entire issued and to be issued ordinary share capital of the Company.

In light of these advanced discussions, the Board has resolved that no interim dividend in respect of the six month Period will be declared and paid until these discussions have been resolved.

Eitan Boyd, Chief Executive Officer of Stride Gaming commented:

“The Group has delivered a resilient performance in the first half of the year despite challenging trading conditions, reflecting the strength of our proprietary technology, as well as the skill and commitment of our team.”

^ NGR includes the Group's share in Aspers revenue and was adjusted only to demonstrate the effect if it was consolidated on a 50% basis. This adjustment increased revenue by £2.2 million (H1 2018: £1.9 million) without an effect on the Adjusted profit results.

* Adjusted net earnings and Adjusted EBITDA exclude income or expenses that relate to exceptional items and non-cash share-based charges. A reconciliation between the current year's reported figures and the prior year's figures to Adjusted net earnings is shown in the Chief Financial Officer's report.

**Yield per player means the total net cash in the last three months of the Period divided by the number of funded players at the end of the Period.

^^Funded player means an active player who has made a deposit with their own funds within the last three months of the Period.

^^^ GGR means gross gaming revenue, being total bets placed by players less winnings paid to them.

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CHAIRMAN'S STATEMENT

Results and performance

The Group achieved net gaming revenue ('NGR') in the first half of the year of £39.0 million (H1 2018: £44.9 million) and Adjusted EBITDA of £6.2 million (H1 2018: £8.0 million). The Board believes this is a resilient performance in the face of challenging trading conditions, characterised by increased fiscal pressures on UK operators as well as tighter customer checks and controls being applied by the Group reflecting the overall stricter regulatory environment.

Stride Together, the Group's B2B division, performed well during the Period and recorded a significant increase in revenue. The success of Stride Together, evidenced further by the new opportunities presented to the Group, serves to demonstrate the strength of the Group's technology platform. This is further substantiated from the proportion of Group NGR now generated by the Group's higher margin proprietary Real Money Gaming business which increased to 70% of total revenue (H1 2018: 66%).

Stride remains highly cash generative and retains a strong balance sheet with gross cash at the Period end of £21.9 million (31 August 2018: £28.7 million) which includes customer liabilities of £2.9 million (31 August 2018: £2.7 million). Post period end, the Group received additional cash of £5.67 million following the disposal of the available-for-sale investment in QSB Gaming Ltd.

Update on strategic review

In February 2019, the Board of Stride announced that it was embarking on a strategic review of the business to thoroughly explore all options available to the Group in order to maximise value for its shareholders. Today, the Board of Stride has separately announced that it is in advanced discussions on the terms of a possible recommended cash offer for the Company, for the entire issued and to be issued ordinary share capital of the Company.

Dividend

In light of these advanced discussions, the Board has resolved that no interim dividend in respect of the six month Period will be declared and paid until these discussions have been resolved.

CHIEF EXECUTIVE'S REVIEW

During the first six months of the financial year Stride Gaming has continued to focus on delivering the Group's strategic priorities against the challenging and dynamic UK online gaming market backdrop. The Group has remained resolutely focused on attracting and retaining customers of "casual gaming" in a safe and responsible manner; delivering cost control and efficiencies; and continuing to invest in the Group's proprietary technology platform, in-house marketing and business intelligence expertise.

Investing in technology

Whilst the UK online gaming market continues to undergo radical fiscal and regulatory changes, the benefits of owning and developing the Group's own proprietary platform have never been more evident. The Group has continued to invest in its platform to adapt to the demands of the new market environment. The Group has further invested in and evolved its tools and processes to ensure the Group offers customers a safe and enjoyable online gaming entertainment experience.

Capitalised development costs during the Period - which primarily relate to investment in technology platforms and compliance - increased by 67% to £1.0 million (H1 2018: £0.6 million) reflecting the Group's continued focus on developing and maintaining its technology-driven competitive edge. Despite this, capitalisation costs to revenue ratio for the Period remain below 3%.

Enhancing efficiencies

The Group has remained focused on cost control and driving efficiencies across the business. Stride has continued to refine and optimise its approach to marketing which remains underpinned by a strict focus on customer cost per acquisition return on investment ('ROI').

Marketing costs in the Period reduced by 17% from H1 2018. However, the marketing cost to revenue ratio was broadly maintained at 25%.

During the period the Group closed the 8ball Manchester operation and completed the migration of the management and the operational know-how to the Netboost Media offices in Israel. Administration costs were 8.1% lower against the prior year.

Market focus

During the Period, the Group has continued to focus its acquisition strategy towards "casual" players, thereby reducing exposure to "high-roller" customers as well as unprofitable "bonus hunters". In line with this approach, Stride has continued to refine its multi-brand market strategy with product development and marketing investment increasingly focused behind a smaller number of the Group's most successful brands.

The Group has also been impacted by the increased customer source of funds checks undertaken by the Group, as well as the implementation of lower customer deposit limits when compared to the prior year comparable period.

Whilst Real Money Gaming NGR generated from Stride's proprietary platform decreased by 9% to £27.0 million, (H1 2018: £29.7 million) the share of Group revenue on the proprietary platform increased by 5.6ppts to 70%. This increase reflects the Group's continued focus on successfully migrating players towards Stride's higher margin proprietary platform. In line with this focus, and also reflecting the regulatory environment across the market as well as the termination of some partner relationships, Real Money Gaming NGR from third-party non-proprietary platforms decreased by 24% to £11.5 million (H1 2018: £15.1 million).

Mobile and touch devices have remained a key growth driver for the Group and Gross Gaming Revenue ("GGR") from those devices increased by 6% during Period, to represent 72% of total Real Money Gaming GGR (H1 2018: 68%).

As previously reported, in light of the shifting trends in the social gaming market, a decision was made in February 2018 to sell the Group's Social Gaming business, Infiapps. The Group can report that Infiapps, which had previously been reclassified as held for sale, was successfully sold in April for a consideration of $0.9 million.

Growth in new areas
Stride's B2B partnership division, Stride Together, continued to perform very well through its first partnership with Aspers Casino and achieved a year on year revenue increase of 119%, albeit from a low base, reflecting the strength of the Stride platform.

In December 2017, the Group acquired a 51% strategic controlling investment in Passion Gaming, a rummy-focused online gaming company operating across India for £2.48 million. This business has continued to perform well, growing revenue by 492% to £312,433 during the Period. Start-up EBITDA losses for this segment increased to £(589,000) (H1 2018: £(130,052)) reflecting investment in marketing, technology and people.

Team
Our people have continued to rise to the challenges of the changing UK market environment with great skill, commitment and passion. I would like to thank each my colleagues around the world for their effort and hard work over this period.

CHIEF FINANCIAL OFFICER'S REVIEW

Stride Gaming has continued to focus on delivering the Group's strategic priorities in the first half of 2019 against the challenging and dynamic UK online gaming market backdrop. Group Net Gaming Revenue ('NGR') declined by 13% to £39.0 million^ (H1 2018: £44.9 million). This decline has been seen across the Group's Real Money Gaming ('RMG') operations, which includes Stride's in-house proprietary platform and the non-proprietary business.

Adjusted EBITDA decreased by 23% to £6.2 million (H1 2018: £8.0 million) and adjusted EBITDA margins declined by 1.4% to 16.8% (H1 2018: 18.2%) primarily as a result of the reduction in NGR in the Period outpacing the reduction of administrative costs in the Period.

Revenue
Group NGR was down 13% to £39.0 million^ with revenue generated on the in-house proprietary platform down 9% to £27 million^ (H1 2018: £29.7 million). Revenue from third-party, non-proprietary platforms was down by 24% to £11.5 million (H1 2018: £15.1million) as a result of the terminations of several service platform agreements and the Group's strategy of prioritising investment into its proprietary platform.

Total RMG deposits were down 8% to £73 million (H1 2018: £79 million) and funded players reduced by 23% to 118,000 (H1 2018: 153,000) as a result of increased customer source of funds checks undertaken by the Group on as well as the implementation of lower customer deposit limits. However, yield per player was up to £147 (H1 2018: £141) reflecting the effectiveness of the Group's customer acquisition strategy and CRM capabilities.

The yield per player increased by 4% to £147 (H1 2018: £141) reflecting the effectiveness of Stride's customer acquisition strategy and CRM capabilities.

The Passion Gaming investment is performing in line with the Group's expectations and we are encouraged by the improvement of the performance of the unit and the potential opportunities in the Indian market. The revenue contribution from this business is currently immaterial and has not been presented separately in the results.

Cost of sales
Cost of sales totalled £6.9 million (H1 2018: £7.9 million) reflecting the reduction in NGR during the period. The cost reflects new POCT rules which became effective for reporting periods commencing on, or after 1 August 2017. The changes introduced mean that UK licence holders also pay tax on the value of all first-time free plays.

Distribution costs
Distribution costs of £14.6 million (H1 2018: £17.5 million) include licencing, processing, royalties (third-party games and platforms) and acquisition and retention marketing, remained unchanged at 39.9% (H1 2018: 40.0 %) as a proportion of Group NGR.

The Group's primary focus is to drive growth in revenue on its proprietary platform since the sites hosted on Stride's own platform pay lower software and gaming royalties. This is because across the sites hosted on Stride's own platform there is a higher percentage of in-house developed games and lower associated costs. Meaningful cost savings are achieved when a customer migrates from a third-party site onto Stride's proprietary platform. This remains a key focus for Stride and is underpinned by the strength of the Group's marketing, CRM and analytical capabilities.

During the Period, the Group invested £9.2 million in acquisition and retention marketing (H1 2018: £11.1 million). This represented 25.4% of NGR (H1 2018: 25.4%) and a 17% reduction year on year in the nominal value of the spend. This reduction reflected a refined marketing strategy and customer focus allowing the Group to optimise its cost base and to keep an efficient cost per acquisition to support the growth of its higher-margin, proprietary brands.

Administration costs

Administration costs of £9.2 million (H1 2018: £10.4 million) represented 25% of NGR (H1 2018: 24%). The Group remains resolutely focused on cost control and driving efficiencies across the business. During the Period, the Group closed the 8ball Manchester operation and completed the migration of the management and the operational know-how to the Netboost Media offices in Israel. In addition, the Group continued to deliver operational synergies within the proprietary business by optimising its overheads in the London offices and leveraging its back office in the Mauritius office.

The Capitalised development costs totalled £1.0 million (H1 2018: £0.6 million) over the Period and amortisation of capitalised development costs was £0.5 million (H1 2018: £0.3 million).

Finance expenses and tax

Net Finance expenses for the Period totalled £0.1 million (H1 2018: £0.4 million) reflecting constant repayments of the Group's debt facility. In addition, the prior period Net Finance expenses included the unwinding of the discount on the contingent consideration that arose on the Tarco acquisition of £0.3 million. The tax expense in the Period was £0.1 million (H1 2018: £0.2 million).

Events after the reporting date

Post Period end, effective on 18 April 2019, the Group disposed of its 100% investment in InfiApps Ltd, a cash generating unit which at 28 February 2019 was shown as held for sale. The term of the sale agreement includes an initial consideration of $0.9 million and a contingent consideration based on a 10% share of the next two years of revenue growth from an agreed base.

In April 2019, £5.67 million was received in cash from the Rank Group in relation to the contingent consideration following the disposal of its available for sale investment in QSB Limited.

Cash flow and Balance Sheet

The net cash flow from operating activities (after settling the payment of the £7.1 million fine from the UK Gambling Commission) was negative £2.9 million (H1 2018: £9.1 million). Significant cash outflows related to payment of dividends for the 2018 financial year of £1.2 million (H1 2018: £1.0 million) and a bank capital loan repayment of £1.0 million (H1 2018: £1.0 million). Stride Gaming has a solid balance sheet with cash and cash equivalents of £21.9 million (31 August 2018: £28.7 million), which includes customer liabilities of £2.9 million (31 August 2018: £2.7 million).

Adjusted net earnings, EPS and future performance measure

Basic profit per share was 2.30 pence (H1 2018: basic profit per share of 2.05 pence). Adjusted basic earnings per share was down 33% to 6.9 pence (H1 2018: 10.3 pence) primarily as a result of the decline in Adjusted net earnings. The Board believes that adjusted basic earnings per share (excluding exceptional items such as impairment, contingent remuneration and consideration, acquisition costs, impairments, provision for regulatory matters, amortisation of intangible assets excluding those arising from internal development, and associated taxes) enables a better understanding of the underlying business performance. Share-based payments were previously excluded however, will now be included in our adjusted net earnings calculations.

	Unaudited H1 2019 £'000		Unaudited H1 2018 £'000
Profit after tax	1,745		1,465
Amortisation of intangible assets[1]	2,639		3,585
Depreciation	167		136
Acquisition costs	32		89
Contingent consideration	-		(398)
Loss from discontinued operations	872		2,256
Profit on disposal of Available for Sale assets	(268)		-
Share of loss/(profits) of equity accounted joint ventures	106		(38)
Movement in deferred taxes relating to acquisitions	(125)		(125)
Net interest (including unwinding of Tarco contingent consideration discount in H1 2018)	61		425
Adjusted net earnings	5,229		7,395

Adjusted basic net earnings per share	6.9		10.3
Adjusted diluted earnings per share[2]	6.7		9.7
Basic profit per share	2.30		2.05
Diluted profit per share	2.25		1.93

[1] Excluding amortisation of internally generated development costs.

[2] Adjusted diluted earnings per share is calculated using the effect of share options and contingent share consideration on business combination and acquisition of intangible assets.

Ronen Kannor
Chief Financial Officer
31 May 2019

STRIDE GAMING PLC
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the period ended 28 February 2019

	Note	**6 months to February 2019 £'000**	6 months to 28 February 2018 £'000
Net gaming revenue including 50% joint venture		**38,856**	44,897
Less joint venture revenue (net of platform fee income)		**(2,264)**	**(1,035)**
Revenue		**36,592**	**43,862**
Cost of sales		**(6,881)**	(7,917)
Gross profit		**29,711**	35,945
Distribution costs		**(14,584)**	(17,525)
Administrative expenses		**(9,150)**	(10,422)
Other Income		**178**	**-**
Adjusted EBITDA		**6,155**	7,998
Acquisition costs		**(32)**	(89)
Restructuring costs		**(271)**	-
Contingent consideration	10	**-**	398
Amortisation of intangible assets		**(3,152)**	(3,891)
Depreciation		**(167)**	(136)
Operating Profit		**2,533**	4,280
Profit on disposal of available-for-sale investment	15	**268**	**-**
Share of (loss)/profit of equity accounted joint venture	13	**(106)**	**38**
Finance expense		**(115)**	(464)
Finance income		**54**	39
Profit before tax		**2,634**	3,893
Tax expense	5	**(17)**	(172)
Profit after tax from continuing operations		**2,617**	3,721
Loss from discontinued operations	12	**(872)**	(2,256)
Profit after tax		**1,745**	1,465
Profit for the year attributable to			
Owners of the parent		**2,025**	**1,523**
Non-controlling interest		**(280)**	**(58)**
		1,745	**1,465**
Other comprehensive income:			
Items that will or may be reclassified to profit or loss			
Exchange gains arising on translation of foreign operations		**(80)**	**(523)**
Change in fair value of available-for-sale investment	15	**-**	**4,655**
Total comprehensive income		**1,665**	**5,597**
Total comprehensive income attributable to:			
Owners of the parent		**1,965**	**5,712**
Non-controlling interest		**(300)**	**(115)**
		1,665	**5,597**
Profit per share (p)	4		
Basic		**2.30**	**2.05**
Diluted		**2.25**	**1.93**
Profit per share from continuing operations (p)	4		
Basic		**3.45**	**5.19**
Diluted		**3.37**	**4.89**

The notes on the following pages form part of these condensed consolidated interim financial statements.

STRIDE GAMING PLC

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 28 February 2019

	Note	**Unaudited At 28 February 2019 £'000**	Audited At 31 August 2018 £'000
ASSETS			
Non-current assets			
Property, plant and equipment		**623**	780
Intangible assets	6	**34,199**	36,021
Other receivables	7	**243**	253
Deferred tax asset		**136**	138
Investment in equity accounted joint venture	13	**-**	104
		35,201	37,296
Current assets			
Trade and other receivables	7	**11,250**	10,293
Income tax receivable		**361**	545
Cash and cash equivalents		**21,869**	28,706
		33,480	39,544
Assets in disposal groups classified as held for sale	12	**1,812**	3,127
Total assets		**70,493**	79,967
LIABILITIES			
Non-current liabilities			
Trade and other payables	8	**69**	25
Deferred tax liability		**753**	900
		822	925
Current liabilities			
Trade and other payables	8	**9,301**	10,870
Income tax payable		**51**	-
Provisions	16	**-**	7,100
Loans and borrowings	9	**3,456**	4,443
		12,808	22,413
Liabilities in disposal groups classified as held for sale	12	**413**	829
Total liabilities		**14,043**	24,167
Net assets		**56,450**	55,800
Issued capital and reserves attributable to owners of the parent			
Share capital		**758**	758
Share premium		**57,839**	57,839
Foreign currency translation reserve		**2,686**	2,746
Retained earnings		**(5,226)**	(6,236)
Total equity before non-controlling interest		**56,057**	55,107
Non-controlling interest		**393**	693
Total Equity		**56,450**	55,800

The notes on the following pages form part of these condensed consolidated interim financial statements.

STRIDE GAMING PLC
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the period ended 28 February 2019

	6 months to February 2019 £'000	6 months to February 2018 £'000
Cash flows from operating activities		
Profit for the period	**1,745**	1,465
Adjustments for:		
Depreciation of property, plant and equipment	**181**	153
Amortisation of intangible assets	**3,386**	6,817
Impairment	**965**	-
Finance expense	**86**	464
Finance income	**(54)**	(39)
Share-based payment expense	**204**	682
Other income	**(178)**	-
Income tax	**13**	358
Share of loss/ (profit) from equity accounted Joint venture	**106**	**(38)**
Gain on disposal of asset held for sale	**(268)**	-
	6,186	9,862
(Increase)/decrease in trade and other receivables	**(348)**	620
(Decrease) in trade and other payables	**(2,038)**	(1,132)
(Decrease) in provisions	**(7,100)**	-
Cash generated from operations	**(3,300)**	9,350
Income taxes received/(paid)	**397**	(298)
Net cash flows from operating activities	**(2,903)**	9,052
Investing activities		
Investment in Passion Gaming, net of cash acquired	**-**	(40)
Finance income	**54**	39
Purchases of property, plant and equipment	**(36)**	(311)
Purchase of intangibles	**(354)**	(335)
Capitalised development costs	**(1,191)**	(773)
Net cash used in investing activities	**(1,527)**	(1,420)
Financing activities		
Exercise of share options	**-**	739
Interest paid	**(49)**	(120)
Contingent remuneration	**-**	(3,958)
Repayment of bank borrowings	**(1,000)**	(1,000)
Dividends paid	**(1,207)**	(1,078)
Net cash outflow from financing activities	**(2,256)**	(5,417)
Net (decrease)/increase in cash and cash equivalents	**(6,686)**	2,215
Cash and cash equivalents at beginning of period	**29,246**	26,175
Exchange gains on cash and cash equivalents	**(59)**	(24)
Cash within assets held for sale	**(632)**	(444)
Cash and cash equivalents at end of period	**21,869**	27,922

The notes on the following pages form part of these condensed consolidated interim financial statements.

STRIDE GAMING PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 28 February 2019

	Share capital £'000	Share premium £'000	Available-for-sale reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	**Total equity before Non-controlling interest £'000**	Non-controlling interest £'000	**Total equity £'000**
At 1 September 2017	680	40,641	1,595	3,052	8,947	**54,915**	-	**54,915**
Profit/(Loss) for the period	-	-	-	-	1,523	**1,523**	(58)	**1,465**
Other comprehensive income	-	-	4,655	(466)	-	**4,189**	(57)	**4,132**
Total comprehensive income for the period	-	-	4,655	(466)	1,523	**5,712**	(115)	**5,597**
Contributions by and distributions to owners								
Dividends	-	-	-	-	(1,078)	**(1,078)**	-	**(1,078)**
Non-controlling interest acquired on business combination	-	-	-	-	-	**-**	1,093	**1,093**
Share-based payment	-	-	-	-	635	**635**	-	**635**
Issue of shares to settle contingent remuneration	41	9,014	-	-	(9,055)	**-**	-	**-**
Issue of shares on exercise of share-based payments	5	1,278	-	-	(545)	**738**	-	**738**
At 28 February 2018	**726**	**50,933**	**6,250**	**2,586**	**427**	**60,922**	**978**	**61,900**
Loss for the period	-	-	-	-	(6,229)	**(6,229)**	(263)	**(6,492)**
Other comprehensive income	-	-	(6,250)	160	-	**(6,090)**	(22)	**(6,112)**
Total comprehensive income for the period	-	-	(6,250)	160	(6,229)	**(12,319)**	(285)	**(12,604)**
Contributions by and distributions to owners								
Dividends	-	-	-	-	(976)	**(976)**	-	**(976)**
Issue of shares to settle contingent consideration	32	6,906	-	-	-	**6,938**	-	**6,938**
Share based payment	-	-	-	-	542	**542**	-	**542**
At 31 August 2018	**758**	**57,839**	**-**	**2,746**	**(6,236)**	**55,107**	**693**	**55,800**
Profit for the period	**-**	**-**	-	-	2,025	**2,025**	(280)	**1,745**
Other comprehensive income	**-**	**-**	-	(60)	-	**(60)**	(20)	**(80)**
Total comprehensive income for the period	**-**	**-**	**-**	**(60)**	**2,025**	**1,965**	(300)	**1,665**
Contributions by and distributions to owners								
Dividends	**-**	-	-	-	(1,207)	**(1,207)**	**-**	**(1,207)**
Share based payment	**-**	-	-	-	192	**192**	**-**	**192**
At 28 February 2019	**758**	**57,839**	**-**	**2,686**	**(5,226)**	**56,057**	**393**	**56,450**

The notes on the following pages form part of these condensed consolidated interim financial statements.

The following describes the nature and purpose of each reserve within equity:

Share premium	Amount subscribed for share capital in excess of nominal value.
Available-for-sale reserve	Gains/losses arising on fair value movement of financial assets classified as available for sale.
Foreign currency translation reserve	Gains/losses arising on retranslating the net assets of overseas operations into Sterling.
Retained earnings	The account includes cumulative profits and losses less any distributions made to shareholders and the nominal value of shares gifted to the employee benefit trust. In addition, during the year ended 31 August 2017 the total balances in the other reserves which related to the merger, share option and capital contribution reserves were transferred to this account and are available for distribution under the Companies (Jersey) Law 1991, subject to meeting other Companies Act requirements.
Non-controlling interest	Non-controlling interests comprise the non-controlling interests' share of cumulative profits and losses in the Group, less their share of dividends paid.

The notes on the following pages form part of these condensed consolidated interim financial statements.

1 Accounting policies

Legal status

Stride Gaming plc (limited by shares), which includes its subsidiaries and together forms the "Group", is a public limited company incorporated in Jersey. Stride Gaming plc was incorporated under the Companies (Jersey) Law 1991 on 25 February 2015. The address of its registered office is 12 Castle Street, St Helier, Jersey JE2 3RT. Stride Gaming plc shares are listed on the Alternative Investment Market ("AIM") of the London Stock Exchange. The Group is not required to present parent company information.

The unaudited interim condensed consolidated financial statements for the six months ended 28 February 2019, which were approved by the Board of Directors on 31 May 2019, do not comprise statutory accounts and should be read in conjunction with the Annual Report for the year ended 31 August 2018. Those accounts have been reported upon by the Group's auditors and delivered to Companies House in Jersey. The report of the auditors on those accounts was unqualified. The Annual Report is published in the Investor Relations section of the Group website at www.stridegaming.com and is also available from the Company on request.

2 Basis of preparation

The unaudited interim condensed consolidated financial statements are prepared on the basis of the accounting policies stated in the Group's 2018 Annual Report, which is available on the Group's website at www.stridegaming.com.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the interim condensed consolidated financial statements.

In the current reporting period, the Group has adopted a number of revised Standards and Interpretations, including *IFRS9 Financial Instruments* and *IFRS 15 Revenue from Contracts with Clients*. However, none of these have had a material impact on the Group's reporting.

The IASB has issued a number of IFRS and IFRIC amendments or interpretations since the last annual report was published. It is not expected that any of these will have a material impact on the Group.

In addition, the following standard is in issue but not yet effective:

IFRS 16 Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). All leases result in a company (the lessee) obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and

b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 is effective from 1 January 2019, although a company can choose to apply IFRS 16 before that date.

IFRS16 'Leases' will replace IAS17 in its entirety and will be effective for the Group from the year ending 31 August 2020. It will result in most leases being recognised in the Statement of Financial Position, with additional fixed assets and liabilities being recognised. The Group continues to assess the full impact of IFRS16 and it is not yet possible to reasonably quantify its financial effects. The effect will be impacted by interest rates in future years, along with changes to the terms of the Group's existing leases. The directors believe that the new standard will have a material impact upon the Group's reported performance with increases in EBITDA being largely offset by increases in both depreciation and interest charges and increases in operating profit largely offset by increases in interest charges. There is no current expectation that the group's cashflows will be materially impacted. The Group will be applying IFRS 16 using the modified retrospective approach and therefore comparative information will not be restated. The interim financial statements are presented in Sterling, which is also the parent's functional currency and amounts are rounded to the nearest thousand, unless otherwise stated.

3 Segment information

For management purposes and for transacting with customers, the Group's operations can be segmented into the following reporting segments:

- Proprietary, which is its leading online operation, using its in-house developed and purchased software to provide online bingo, casino and related gaming activities to players. This segment only operates in regulated markets, principally the UK;
- Non-proprietary operations using third party software to provide related activities to players; and
- Other, which currently only includes Passion Gaming, a rummy-focused online gaming company registered and operating across India.

Each of these operating segments generate independent revenues, and the risks and rewards associated with generating these revenues are considered to be different to each other.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the management team including the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer. The key measure of profit for Management in Stride is Adjusted Profit before exceptional items. The operating segmental analysis has changed from the prior period due to internal restructuring in the business and is now in line with how the Group report on their performance.

	Proprietary 2019 £'000	**Non-Proprietary 2019 £'000**	**Other 2019 £'000**	**Total 2019 £'000**
Total revenue from external customers	**24,736**	**11,544**	**312**	**36,592**
Other Income	**178**	**-**	**-**	**178**
Adjusted EBITDA	**4,966**	**1,777**	**(588)**	**6,155**
Amortisation	**(1,377)**	**(1,775)**	**-**	**(3,152)**
Depreciation	**(145)**	**(12)**	**(10)**	**(167)**
Restructuring costs[1]	**(115)**	**(156)**	**-**	**(271)**
Share of loss from joint venture				**(106)**
Finance income				**54**
Finance expense				**(115)**
Acquisition costs				**(32)**
Profit on disposal of available-for-sale investment				**268**
Group profit before tax				**2,634**

1 Restructuring costs within the non-proprietary segment are the one-off costs associated with the closure of the 8ball offices. The Group also completed further restructuring changes within the proprietary segment, as part of its focus in delivering continued efficiencies.

In the prior period, the Group stated that it only had one reporting segment, being the real money gaming. The prior period comparatives have therefore been restated to show the current year reportable segments:

	Proprietary 2018 £'000	Non-Proprietary 2018 £'000	Other 2018 £'000	Total 2018 £'000
Total revenue from external customers	28,723	15,086	53	43,862
Adjusted EBITDA	5,302	2,826	(130)	7,998
Amortisation	(1,688)	(2,203)	-	(3,891)
Depreciation	(115)	(21)	-	(136)
Contingent consideration adjustment	-	398	-	398
Share of profit from joint venture				38
Finance income				39
Finance expense				(464)
Acquisition costs				(89)
Group profit before tax				3,893

	External revenue by location of customers		Non-current assets by location of assets	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
United Kingdom	**35,773**	43,253	**16,518**	15,341
Bailiwick of Guernsey	**-**	-	**16,386**	19,530
Israel	**-**	-	**58**	23
Other	**819**	609	**1,860**	1,907
	36,592	43,862	**34,822**	36,801

4 Earnings per share

Numerator	**6 months to February 2019 £'000**	6 months to February 2018 £'000
Profit from continuing operations	**2,617**	3,721
Loss from discontinued operations	**(872)**	(2,256)
Total profit for the period	**1,745**	1,465
Denominator	**'000**	'000
Weighted average number of shares used in basic EPS	**75,806**	71,627
Effects of:		
Employee share options	**1,915**	2,343
Contingent share consideration on business combination	**-**	2,109
Weighted average number of shares used in diluted EPS	**77,721**	76,079

5 Operating profit

All items presented below Adjusted EBITDA and before operating profit in the Condensed Consolidated Statement of Comprehensive Income are administrative expenses. Total administrative expenses including those presented below Adjusted EBITDA for the period were £12,772,000 (H1 2018: £14,140,000). Adjusted EBITDA is an Alternative Profit Measure used by management to assess the performance of Group as it closely represents the trading performance of the business.

In the current reporting period, following regulatory recommendations, the share-based payment costs of £204,000 (H1 2018: £682,000) were deducted from Adjusted EBITDA. The comparatives on the Condensed Consolidated Statement of Comprehensive Income were also adjusted to take this into account.

Adjusted EBTIDA as a metric is used internally to assess performance and may differ from other profit measures used by similar businesses.

6 Intangible assets

	Software and licences £'000	Development costs £'000	Brand names £'000	Goodwill £'000	Customer and contractual relationships £'000	Total £'000
Cost						
At 1 September 2017	**16,368**	**2,638**	**8,349**	**36,521**	**19,157**	**83,033**
Acquired through business combinations	31	-	-	1,341	-	**1,372**
Additions	871	-	-	-	-	**871**
Internally generated development costs	-	1,765	-	-	-	**1,765**
Transfer to disposal group	(9,324)	(1,462)	(1,312)	(5,950)	(2,881)	**(20,929)**
Foreign exchange rate movements	(85)	(8)	(11)	-	(25)	**(129)**
At 31 August 2018	**7,861**	**2,933**	**7,026**	**31,912**	**16,251**	**65,983**
Additions	354	-	-	-	-	**354**
Internally generated development costs	-	996	-	-	-	**996**
Foreign exchange rate movements	(4)	-	-	-	-	**(4)**
At 28 February 2019	**8,211**	**3,929**	**7,026**	**31,912**	**16,251**	**67,329**
Accumulated amortisation						
At 1 September 2017	**7,797**	**833**	**2,871**	**5,950**	**7,826**	**25,277**
Charge for the period	5,081	1,362	1,484	-	3,426	**11,353**
Impairment	1,481	319	434	9,800	580	**12,614**
Transferred to disposal group	(8,237)	(1,047)	(1,312)	(5,950)	(2,881)	**(19,427)**
Foreign exchange rate movements	112	12	14	-	7	**145**
At 31 August 2018	**6,234**	**1,479**	**3,491**	**9,800**	**8,958**	**29,962**
Charge for the period	**437**	514	553	-	1,648	**3,152**
Foreign exchange rate movements	16	-	-	-	-	**16**
At 28 February 2019	**6,687**	**1,993**	**4,044**	**9,800**	**10,606**	**33,130**
Net book value						
At 1 September 2017	8,571	1,805	5,478	30,571	11,331	57,756
At 31 August 2018	1,627	1,454	3,535	22,112	7,293	36,021
At 28 February 2019	**1,524**	**1,936**	**2,982**	**22,112**	**5,645**	**34,199**

Amortisation rates

During the year ended 31 August 2018 the useful economic lives of certain software were re-assessed and adjusted from a total of 5 - 10 years down to a total of 3 - 4 years. This created an accelerated amortisation charge of £3.7 million in the period, of which £2.9 million related to the software transferred to assets held for sale.

Goodwill

In previous reporting periods the goodwill was allocated to a number of cash generating units based on different acquisitions made by the Group. However, they have now been placed into 3 cash generating units, being proprietary, non-proprietary and Passion Gaming. The proprietary CGU includes cashflows which cannot be separately reported, and the value of this CGU is assessed on a combined basis (previously the Spacebar Media and Table Top Entertainment CGUs). The non-proprietary segment (previously 8Ball Games and Tarco Assets CGUs) includes the combined cashflows, which following internal restructuring and further synergies gained post acquisition through the centralisation of several departments, are now being reported as one CGU.

Goodwill is therefore allocated to the following cash generating units:

	6 months to February 2019 £'000	31 August 2018 £'000
Proprietary	**9,944**	9,944
Non-proprietary	**10,827**	10,827
Passion Gaming	**1,341**	1,341
	22,112	22,112

7 Trade and other receivables

	28 February 2019 £'000	31 August 2018 £'000
Current		
Trade receivables	**2,881**	2,168
Other receivables	**6,547**	6,351
Amounts due from related parties	**-**	60
Prepayments	**1,822**	1,714
	11,250	10,293
Non-current		
Other receivables	**243**	253
	243	253

8 Trade and other payables

	28 February 2019 £'000	31 August 2018 £'000
Current		
Trade payables	**2,550**	3,614
Other payables	**352**	605
Other taxation and social security	**1,334**	1,562
Client liabilities and progressive prize pools	**2,945**	2,682
Amounts due to related parties	**364**	248
Accruals and deferred income	**1,756**	2,159
	9,301	10,870
Non-current		
Other payables	**69**	25
	69	25

9 Loans and borrowings

The book value and fair value of loans and borrowings are as follows:

	28 February 2019 £'000	31 August 2018 £'000
Unsecured borrowings		
Current bank borrowings	**3,456**	4,443
	3,456	4,443

During the period the Group breached two of its Financial Covenants. A formal notice was provided post period end from Barclays PLC informing Stride Gaming Plc that they would waive any rights available to the bank as a result of these breaches for the period ended 28 February 2019. As a result of this the borrowings are shown as current liabilities as they are deemed to be repayable on demand.

10 Related party transactions

Significant shareholders identified below are shareholders with more than 10% of shareholding, either individually or as part of the concert party they belong to. There are no individuals or concert party shareholders who have control over the Group. The transactions with significant shareholders have been disclosed below as per prior periods.

The acquisitions of the Tarco Assets and Netboost Media on 31 August 2016 constituted a related party transaction due to the acquired businesses being under common control of significant shareholders, as well as certain shareholders being key management personnel of the Group. As at 28 February 2019 and 31 August 2018 the total contingent consideration liability was £nil. The total liability of £17,352,217 was settled in April 2018 with £7,753,238 satisfied by the issue of 3,168,076 new ordinary shares of 0.01p each at 244.73p, being the average closing price of the ordinary shares for the 90-day period ended on 31 December 2017, and the remainder of £9,598,979 paid in cash. The movement in the contingent consideration liability in the prior period is the unwinding of the discount on the consideration of £333,000 included in prior year finance expense, as well as a final assessment of the amount payable following the end of the earnout period at 31 December 2017 resulting in a credit of £398,000.

A total of £170,000 was due to a company under control of common significant shareholders at 28 February 2019 and 31 August 2018. The amount due is interest free and there were no transactions with this related party in the current or prior period.

The Group had related party transactions with certain other companies under control of significant shareholders or Key Management Personnel (KMP) for the provision of software platform, marketing, office rental and other back office services. The total purchases in the period ended 28 February 2019 were £807,000 (H1 2018: £1,437,000). From this total £274,000 (H1 2018: £971,000) related to direct marketing costs placed by the related party, as well as a marketing fee for providing this service. Total amounts due by the Group at 28 February 2019 were £53,000 (31 August 2018: £70,000) and the total amounts receivable by the Group at 28 February 2019 were £nil (31 August 2018: £7,000)

Following the establishment of its first business to business joint venture, Aspers Online Limited, in May 2017 with a leading gaming operator in the UK, the online business officially launched in October 2017. In the six months ended 28 February 2019 the Group recognised £970,000 of platform income (2018: £444,000) and a share of loss from the joint venture of £106,000 (2018: profit of £38,000), both in the consolidated statement of comprehensive income. As at 28 February 2019 the Group owed Aspers Online Limited £141,000. At 31 August 2018, Aspers Online Ltd owed the Group £53,000.

11 Events after the reporting date

Post period end, effective on 18 April 2019, the Group disposed its 100% investment in InfiApps Ltd, a cash generating unit which at 28 February 2019 was shown as held for sale, for $0.9 million. Cash on hand of approximately $0.9 was returned. Refer to Note 12.

In April 2019, £5.67 million was received in cash by the Group in relation to the contingent consideration following the disposal of it's available for sale investment in QSB Limited. Refer to Note 15.

Finally, post period end, the Group completed its acquisition of a copy of the software which Passion Gaming was utilising for a royalty fee, from an unrelated third party. Total paid post period end of £200,000. Refer to Note 14.

12 Assets held for sale and discontinued operations

On 28 February 2018 the Board decided to classify the trade and assets of InfiApps Limited, as held for sale. The results of these operations are presented as discontinued operations in the Group's Income Statement in both periods. Management committed to a plan to discontinue the social gaming CGU and therefore all assets and liabilities relating to it have been presented separately in the consolidated statement of financial position. Results of the discontinued operations for the periods presented are as follows:

	6 months to February 2019	**6 months to February 2018**
	£'000	**£'000**
Revenue	**1,798**	2,511
Distribution costs	**(753)**	(1,034)
Administrative expenses	**(934)**	(1,025)
Adjusted EBITDA	**111**	452
Impairment	**(965)**	-
Depreciation	**(14)**	(17)
Amortisation of intangible assets	**(234)**	(2,926)
Operating loss before tax	**(1,102)**	(2,491)
Tax credit	**230**	235
Loss after tax and other comprehensive income	**(872)**	(2,256)
Loss per share from discontinued operations (p)		
Basic	(1.2)	(3.2)
Diluted	(1.2)	(3.2)

As disclosed in note 11, the disposal completed on 18 April 2019 for a total cash consideration of $0.9 million with cash on hand retained by the Group. At 28 February 2019 the carrying value of the disposal group was compared to its recoverable amount through a sale and after deducting selling costs. As a result of this, an impairment of £965,000 was recognised against the remaining intangibles of InfiApps.

Cash flows from discontinued operations:

	6 months to February 2019	**6 months to February 2018**
	£'000	**£'000**
Net cash generated from operating activities	**307**	240
Net cash used in investing activities	**(172)**	(213)
Net cash generated from discontinued operations	**135**	27

Details of net assets and liabilities held for sale:

	Assets 28 February 2019 £'000	Assets 31 August 2018 £'000
Trade and other receivables	**627**	1,014
Deferred tax asset	**13**	14
Intangibles	**499**	1,503
Property, plant and equipment	**41**	56
Cash and cash equivalents	**632**	540
	1,812	3,127

	Liabilities 28 February 2019 £'000	Liabilities 31 August 2018 £'000
Trade and other payables	**322**	507
Deferred tax liability	**91**	322
	413	829

13 Investment in joint venture

In May 2017 the Group set up its first joint venture, Aspers Online Limited, where it holds a 50% stake. The joint venture officially launched operations in October 2017, and the share of loss from the joint venture for the period ended 28 February 2019 was £106,000 (2018: profit of £38,000). Refer also to Note 10.

14 Business combinations

Prior period acquisition of Passion Gaming Private Ltd

In December 2017, the group completed its acquisition of 51% of the voting equity instruments of Passion Gaming Private Ltd ("Passion Gaming"), a rummy-focused online gaming company registered and operating across India. The acquisition has allowed the Group to enter new growth markets and has provided an attractive, related online gaming product. The main factors leading to the recognition of goodwill, which is not deductible for tax purposes, was the presence of certain intangible assets, such as the assembled workforce of the acquired entity, which do not qualify for separate recognition. It is for this reason that the cash consideration of £2.48 million was invested in the company's working capital to accelerate growth, instead of going directly to the sellers, and this is included within the cash on acquisition in the table below. Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book and fair value £'000
Plant and equipment	26
Intangibles	31
Cash	2,437
Trade and other receivables	5
Trade and other payables	(270)
Minority interests	(1,093)
Total net assets	**1,136**
Fair value of cash consideration paid	2,477
Goodwill (Note 6)	**1,341**

As part of the acquisition the Group has the right, through call options (nil value), to acquire at its sole discretion the remaining 49% of Passion Gaming from the existing shareholders over a three to five-year period as follows:

- 24% on the third anniversary following the completion date of the acquisition; and

- The remaining 25% on the fifth anniversary following the completion date of the acquisition.

Should the options be exercised they will be settled using a combination of cash and shares based on the future financial performance of Passion Gaming. The fair value of the call options is not material and therefore have not been recognised.

Passion Gaming's contribution to the Group's revenue and profit from the start of the period should the acquisition have taken place then, until to 28 February 2018 is not significant therefore has not been separately disclosed.

Total acquisition costs amounted to £98,000 and these have been recognised in the profit or loss account.

Further to the above acquisition, the Group has a commitment to acquire a copy of the software which Passion Gaming is currently utilising for a royalty fee, from an unrelated third party, for a total consideration of just under £400,000. The acquisition completed post period end, noting that a 50% cash deposit was made in the year ended 31 August 2018, which means that at 28 February 2019 there is a financial commitment of just under £200,000.

15 Disposal of available-for-sale investment

The Group disposed of its 24.2% investment in QSB Gaming Limited ("QSB"), an operator of online casino and bingo gaming sites in the Spanish market and registered in Alderney. Despite holding greater than 20% of the voting equity instruments in QSB, the Directors did not believe that they exercised significant influence over the investee. This is on the basis that the Group had no representation on the board and no participation in decisions over operating and financial policies. The Group therefore recorded the asset as an available-for-sale investment.

In May 2018 through agreement of all shareholders, QSB was sold to a third party. Based on the terms of the sale agreement, which includes:

- An initial consideration of €21 million; and
- A contingent consideration based on a multiple of EBITDA for the year ending 31 December 2018;

together not to exceed €52 million. The Group recognised a total profit on disposal of £10.4 million with a receivable from the buyer of £6.03 million at 31 August 2018. In September 2018 a further payment of £0.15 million was received and following the end of the earnout period, the receivable was re-assessed to £6.14 million at 28 February 2019, with a further profit on disposal of £268,000 recognised in the current period. This reflects the information the buyer has released to the market and was the best estimate of the contingent consideration's fair value having regard to the present value of the future expected cash flows using a risk adjusted probability assessment of the various scenarios affecting the deferred and contingent consideration. Post period end, £5.67 million was received in cash in relation to the final contingent consideration. The outstanding deferred consideration is expected to be settled by April 2020.

16 Provision

	28 February 2019 **£'000**	**31 August 2018** **£'000**
Provision	-	7,100

During the year ended 31 August 2018, the UK Gambling Commission ("UKGC") conducted a review of the manner in which Daub Alderney Limited, a subsidiary of the Group, had carried out some of its historical licensed activities in the United Kingdom. The Group worked co-operatively with the UKGC throughout its review and has taken actions to address the concerns raised therein. Following the completion of the review, the Group recorded a liability of £7,100,000 for the penalty imposed on review, which was settled in full in December 2018.

17 Non-cash movements in cash flow statement

In the prior period the InfiApps final contingent remuneration in relation to the second year earnout of $1.2 million, which was settled in September 2017, was paid by releasing the funds held in escrow at 31 August 2017.