23 May 2018

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

Interim results for the six months ended 28 February 2018

Continued strong momentum in Real Money Gaming in both the UK casino and bingo markets

Stride Gaming plc (AIM: STR), a leading online gaming operator, announces its interim results for the six months ended 28 February 2018 (the "**Period**").

Key Financials

	Unaudited Six months ended 28 Feb 2018 £'000	Unaudited Six months ended 28 Feb 2017 £'000	Change %
Net Gaming Revenue ^	44,897	39,328	14%
Adjusted EBITDA*	8,680	8,790	(1%)
Adjusted earnings*	8,023	8,041	-
Profit after tax and discontinued operations	1,465	(10,272)	114%
Adjusted basic earnings per share (in pence) *	11.2	12.0	(7%)
Basic profit / (loss) per share (in pence)	2.0	(15.3)	113%
Proposed final dividend per share (in pence)	1.3	1.2	8%

Financial highlights:

- Net Gaming Revenue ("NGR") up 14% to £44.9 million^ (H1 2017: £39.3 million);
- Adjusted EBITDA* down 1% to £8.7 million (H1 2017: £8.8 million);
- Like-for-like Adjusted EBITDA* i.e. including the impact of the changes in the UK point of consumption tax ("POCT") on free bets on the prior year results, increased by 19%;
- Adjusted earnings* £8.0 million (H1 2017: £8.0 million);
- Strong balance sheet with gross cash at Period end of £27.9 million (31 August 2017: £26.2 million) and net cash of £22.4 million (31 August 2017: £19.7 million);
- Infiapps reclassified as an asset held for sale at 28 February 2018;
- Interim dividend up 8% to 1.3 pence per share (H1 2017: 1.2 pence).

Operational highlights:

- Real Money Gaming NGR generated on proprietary platform up 25% to £29.7 million (H1 2017: £23.8 million) and Real Money Gaming NGR generated on non-proprietary platforms down 2% to £15.1 million (H1 2017: £15.5 million) in line with Group's strategy to migrate players onto in-house platform;
- Strong organic growth in UK Real Money Gaming:
  - Deposits up 11% to £79.0 million (H1 2017: £70.9 million);
  - Yield per player** up 11% to £141 (H1 2017: £127);
  - Funded players*** down 6% to 153,000 (H1 2017: 162,000) as the Group focuses on lifetime value, reducing players with free money activity and improving regulatory compliance controls;
  - Group gross gaming revenue^^ ("**GGR**") through mobile and touch devices increased by 17% and now represents 68% (H1 2017: 58%) of the total Real Money Gaming GGR;
- The earn-out periods of the previously acquired Tarco and 8Ball businesses have been completed. Both businesses continue to deliver solid earnings and operational synergies;
- Stride Together performing ahead of management's initial expectations;

- Post Period end disposed of minority interest in Spanish operator QSB Gaming for initial cash consideration of €5 million.

CHAIRMAN'S STATEMENT

I am pleased to report that the Group has continued its positive trading momentum during the six months ended 28 February 2018. Driven by continued growth in our core Real Money Gaming business, and underpinned by further investment in Stride's customer offering, proprietary technology and people, the Group has delivered solid financial results with NGR up 14% to £44.9 million^. After adjusting the prior Period cost of sales to reflect the new POCT which became effective on 1 August 2017, like-for-like adjusted EBITDA also increased by 19% to £8.7 million (H1 2017 like-for-like: £7.3 million).

The Group has a strong balance sheet and is highly cash generative, with gross cash at Period end of £27.9 million (31 August 2017: £26.2 million) and net cash of £22.4 million (31 August 2017: £19.7 million). This has led the Board to declare an 8% increase in the interim dividend to 1.3 pence per share. The interim dividend will be payable on 1 August 2018 to those shareholders on the Company's register as at the record date of 6 July 2018. The ex-dividend date is 5 July 2018.

UK industry environment

Stride's progress in the Period has been achieved against a background of increased regulation and taxation. The Group has had to manage and mitigate the new POCT applied to free bets, which has reduced EBITDA by £1.7 million, as well as other external challenges such as the introduction of GDPR and heightened industry-wide regulation in the UK. I believe the Company's performance in these circumstances speaks volumes for the strength of its management team, its technology and product offering.

Taxation

The fiscal environment that UK-facing online gaming operators now work within has changed and is set to change further. In early 2015, just before Stride Gaming was admitted to AIM, for every £100 of NGR, Stride would pay £15 to the government in related taxes. Today, this has increased to approximately £20. To illustrate the size of this taxation charge, in the six months to 28 February 2018, the Group's Adjusted EBITDA of £8.7 million would have been £10.4 million if taxes were still at their pre-admission level.

The Government's triennial review, published on 17 May 2018 included a commitment to further increase Remote Gaming Duty ("RGD") in the UK, which currently is 15% on NGR plus the value of the first time use of free plays. Whilst there is uncertainty as to what the increase in RGD will be and when it will be implemented, it will, when introduced, have a significant impact on the competitive dynamics of the UK market and the cost of operating in the UK.

Regulation and responsibility

During the Period, as well as increased taxation, we have also seen the tightening of regulatory controls across the UK gambling industry. We note that further controls are set to be introduced around age verification and affordability. These additional controls, so long as they are consistently applied across all forms of gambling in the UK, are to be broadly welcomed by Stride's Board and our wider team.

Stride monitors regulatory developments closely and as a result of owning our own technology and systems, we are well placed to adapt our products and procedures as required. During the Period, we made considerable investment to strengthen our responsible gambling resources. We firmly believe there has been a fundamental increase in the cost of doing business in the UK gambling industry and that costs are likely to increase further.

Outlook and strategy

Whilst the UK remains the largest regulated online gaming market in the world it is experiencing greater regulatory and fiscal focus than ever before which is making it a more challenging market to operate in. At this stage, it is difficult to predict whether the pending further increases in UK taxation and regulatory compliance will present growth and consolidation opportunities for Stride or not. We await further information and guidance from the Government.

Meanwhile, the Board will continue to appraise the best growth options for the Group. Our focus will now shift towards accelerating our international growth plans in line with our strategic focus to diversify the business and expand in attractive regulated markets globally. As an agile operator with our own proprietary technology at the core of our business and customer offering, I believe Stride is well placed to adapt, evolve and flourish.

^ NGR includes the Group's share in Stride Together's revenue and was adjusted only to demonstrate the effect if it was consolidated on a 50% basis. This adjustment increased revenue by £1.0 million without an effect on the Adjusted EBITDA results.
* Adjusted 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 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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About Stride Gaming:

Stride Gaming plc, listed on AIM, is a leading online gaming operator. The Company operates a multi-branded strategy, using a combination of its proprietary and licensed software to provide an online gaming offering.

Stride Gaming's real money offering is presently focused on the UK market, where it is licensed and only operates from the regulated jurisdictions of the UK and Alderney. With a diverse portfolio of over 150 brands, Stride Gaming is the third largest online bingo operator in the UK, and has over 25% share of the UK online bingo landscape.

Stride Gaming operates a partnership platform, Stride Together, through which the company licenses its proprietary platform to gaming operators, media partners and retailers in the UK and globally, enabling them to create an online presence for their customers and enabling Stride to penetrate new verticals both within UK markets and overseas territories.

Further information on the Group is available at: www.stridegaming.com.

CHIEF EXECUTIVE'S REVIEW

I'm delighted to report that Stride has delivered a good performance in the first half of the year. The Group has continued to deliver against its strategic objectives and achieved further good growth in the core UK Real Money Gaming business despite some external industry-wide headwinds in the UK. Stride's progress has been underpinned by ongoing and increased investment in our product, marketing, proprietary technology and people, laying even stronger foundations for future growth.

Strategic progress

Stride Gaming has a clear growth strategy to become a leading online gaming operator. This is built on three primary pillars of growth:

1. ***Focus on the core***

Over the last five years Stride has grown from a single-market, bingo-focused business with 3 brands, to become a leading operator and the UK's third largest bingo provider with more than 150 brands. This growth has been achieved by continued investment and innovation of our product, the successful implementation of our multi-brand strategy and the successful integration of targeted acquisitions.

In line with our strategic focus, Real Money Gaming NGR generated from Stride's proprietary platform increased by 25% to £29.7 million^, accounting for 66% of Group revenue (H1 2017: 61%). This increase is a very pleasing outcome as it demonstrates the strengths of our business and our ability to successfully migrate players towards our higher margin proprietary platform. In line with this, Real Money Gaming NGR from third-party non-proprietary platforms decreased by 2% to £15.1 million.

The Group has achieved positive trends in its KPIs with player deposits increasing by 11% and yield per player also up by 11%. This result was driven through a combination of the successful implementation of our multi-brand strategy, a strong focus on player experience with greater business analytics abilities. The number of funded players decreased by 6% as we continue to focus on the lifetime value of players and reduce the number of players associated with free bets and bonuses.

We continue to enhance and improve our mobile capabilities to offer players the most accessible and enjoyable gaming experience and, as a result, GGR from mobile and touch screen devices increased by 17% and now accounts for 68% of total Real Money Gaming GGR.

Following the acquisition of the 8Ball and Tarco assets announced in August 2016, both businesses have now been successfully integrated and are performing in line with our expectations. Both the 8Ball and Tarco earnouts have now been settled.

Central to the success of our core UK market performance is our focus on compliance, regulation and responsible gaming. Stride has continued to adapt to new requirements and regulations including the forthcoming introduction of GDPR as well as the new POCT applied to free bets introduced in August 2017 which impacted trading for the last five months in the Period.

There is no doubt that the UK is becoming a more scrutinised and challenging market to operate in, and we will continue to invest, adapt and evolve to ensure we offer customers the safest, securest and most enjoyable online gaming entertainment experience. We see further growth potential in the UK market and believe we are well positioned to exploit opportunities that arise from changes in regulation as a result of our scale and the agility that comes from owning our own technology.

2. ***Diversify and develop the product offering***

We continue to innovate and develop our product offering to support the Group's growth with a total of 14 new sites and 202 new games launched in the Period including 18 proprietary games on our mobile platform.

Following the launch of the Group's B2B partnership division, Stride Together, in May 2017, the Group signed its first joint venture with Aspers Casino to provide the established casino brand with a digital presence for the very first time. Aspers Casino Online went live in October 2017 and now offers more than 400 games for customers to choose from and play on their mobile, tablet or laptop. We are very pleased with the performance to date which is ahead of management's initial expectations and highlights the potential for the Group to further leverage its technology for growth through Stride Together. We are exploring further partnerships through gaming operators, media partners and retailers in the UK and globally.

In light of the shifting trends in the social gaming market, a decision was made in February 2018 to sell our Social Gaming business, Infiapps, in order to focus our efforts on our growing core Real Money Gaming operations and international expansion plans. The business has now been reclassified as held for sale and the discontinued operation resulted in a loss after tax of £2.3million (H1 2017: £9.3 million loss).

In December 2017, we acquired a 51% strategic controlling investment in Passion Gaming, a rummy-focused online gaming company operating across India. The $3.75m cash investment fits with Stride's long-term growth strategy of expanding the Group's presence into new growth markets and attractive, related online gaming product verticals. The business has expanded its team with the appointment of a new CTO and roles in marketing and CRM in preparation for a marketing push to extend rollout across India.

Post Period Stride signed an agreement with Amelco, a sportsbook provider, to launch a sports betting proposition to customers and continue Stride's development into a truly multi-product, multi-market operator. Sports betting offers a strategic opportunity for Stride in terms of customer acquisition and retention. It will also support our expansion into European markets as it enables additional cross-selling opportunities into casino games with the initial rollout expected ahead of the World Cup this summer.

3. ***Appraise and enter attractive new markets***

There is significant opportunity for the Group to explore growth opportunities in new markets by leveraging the strength of our technology platform and the knowledge and experience of our talented team. As a result of the impact of the new POCT on revenue, and with further regulation on remote gambling operators in the UK expected, during the Period we took steps to accelerate our international expansion plans.

Having recently recruited a new Head of International Development, and with a market prioritisation roadmap already in place, the group plans to launch in Italy in both Casino and Sports with our existing Italian licence by year end. We are also actively engaged in acquiring operating licences in three other European countries (Spain, Denmark and Sweden) and plan to launch in these markets in the first half of 2019 with a multi-product offering.

To support this critical third pillar of our growth strategy, we are committing a multi-million pound marketing and customer acquisition budget for each new market entry. We anticipate that day-to-day operating profit from new market entry will be achieved by early FY20.

Investment in technology and people

The strength of our technology, systems and highly skilled team form the foundation of our success. During the Period, we continued to invest in our proprietary software and unique and new content to enhance player acquisition and engagement.

Over the course of the last six months, we have conducted a thorough internal assessment to ensure the Group is fully prepared for the GDPR regulations which come into force on 25 May 2018. We have invested in our technology and processes to ensure compliance with the new rules. We also instigated comprehensive training to those staff affected by the new regulation and I am pleased to report that we are fully prepared for the deadline of 25th May.

We have significantly expanded our Real Money Gaming team from the prior Period with staff headcount increasing from 301 to 359. To pave the way for further growth, with targeted recruitment in technology, compliance and business intelligence, the Group has expanded its office space.

In October 2017, the Group sponsored a data analytics internship programme for students of Kings College to expose new talent to the industry and support the innovative development of Stride's proprietary and licensed software. As part of this wider expansion, Stride has also announced the appointment of a Director of Retention and a Head of Business Intelligence & Analytics.

Post period end, in April 2018, the Group appointed a Head of International Development. This newly created role will drive the expansion of Stride's B2C operations internationally in line with our growth strategy.

Significant investment has also been made to strengthen the Group's in-house compliance function.

I would like to take this opportunity to thank our talented team for all their continued hard work and support at this busy and exciting stage of our growth.

Outlook

I believe we are well placed to manage and adapt to the changes in taxation and regulation in the UK which have created a more challenging environment for operators. We have a clear growth strategy built on continuing to develop our presence in the UK market and diversifying the business into new products and markets. With our leading technology and highly experienced team I believe Stride is well positioned to continue to develop and capitalise on the significant growth opportunities both in the UK and when we make our first entry into Europe before the end of the year.

CHIEF FINANCIAL OFFICER'S REVIEW

Stride Gaming continued to deliver good organic growth in the first half of 2018. The Group delivered NGR growth of 14% to £44.9 million^ (H1 2017: £39.3 million). This growth rate was enhanced by the successful integration of 8Ball, Netboost Media and Tarco into the Group post the completion of the acquisition earn-out periods.

Adjusted EBITDA decreased by 1% to £8.7 million (H1 2017: £8.8 million) and subsequently adjusted EBITDA margins declined by 2% to 20% (H1 2017: 22%) primarily as a result of the new gaming duty on free bets introduced in August 2017.

Revenue

Net Gaming Revenue for the first half was £44.9 million^ with revenue generated on the in-house proprietary platform up 25% to £29.7 million^ (H1 2017: reported £23.8 million). Revenue from third-party non-proprietary platform was down 2% to £15.1 million (H1 2017: £15.5 million) in line with the Group's strategy of migrating players onto the proprietary platform and realising synergies in the acquired businesses.

Total deposits in the Real Money Gaming vertical were up 11% to £79.0 million (H1 2017: £70.9 million), demonstrating the Group's strength in the bingo-led gaming and casino markets which is driven by our multi-brand customer strategy. Yield per player increased by 11% to £141 (H1 2017: £127) as a reflection of the Group's first-class customer relationship management system ("CRM") and engaging content.

Funded players reduced by 6% to 153,000 (H1 2017: 162,000) as the Group increased its focus on the lifetime value of players and moved away from those players associated with free betting activity.

Mobile and touch devices revenue increased by 17% compared to the prior year and accounted for 68% (H1 2017: 58%) of total Group Real Money Gaming GGR.

In December 2017 the Group acquired a 51% controlling stake in Passion Gaming, an Indian rummy focused business. The revenue contribution from this business so far is immaterial and has not been presented separately in the results. Passion Gaming is performing in line with our expectations and we are encouraged by the potential opportunities in the Indian market.

Cost of sales

Cost of sales totalled £7.9 million (H1 2017: £5.6 million) with the majority of the year on year increase being a result of the new POCT rules, which became effective for POCT reporting periods commencing on or after 1 August 2017. The changes introduced mean that license holders also pay POCT on the value of all first time used free plays. This increase impacted the last five months of the current Period by s £1.7 million. If the new rules were applied to the prior Period's results, it would have increased cost of sales by £1.5 million.

Distribution costs

Distribution costs increased by just 2% to £17.5 million (H1 2017: £17.2 million) as the Group focused on driving revenue from its own proprietary platform. The sites hosted on Stride's platform naturally pay lower royalties as 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 the proprietary platform, principally due to the strength of our marketing and CRM capabilities.

Marketing costs

Total marketing expenses increased by 5% to £11.2 million (H1 2017 £10.6 million) and were reduced as a proportion of NGR to 25% of NGR (H1 2017: 27%) as a result of the marketing budget being efficiently deployed across various channels to achieve optimised returns.

Administration costs

Administration costs totalled £9.7 million in the first half (H1 2017: £7.8 million) but represented 22.2% as a proportion of NGR (H1 2017: 19.8%). The Group continued to invest in its people, software development, business intelligence, compliance and products to expand the business into new verticals and geographies in the future.

Capitalised costs totalled £0.6 million (H1 2017: £0.3 million) over the Period and amortisation of capitalised development costs was £0.3 million (H1 2017: £0.2 million).

Amortisation of Intangible assets

During the period the useful economic lives of certain intangibles were re-assessed, taking into account the future expected performance of these assets and subsequently adjusted from a total of 5 - 10 years down to a total of 3 - 4 years. This created an accelerated amortisation charge of £3.4 million in the period, of which £2.9 million related to the software transferred to assets held for sale.

Assets held for sale and discontinued operations

On 28 February 2018 the Board decided to reclassify InfiApps, the Group's Social Gaming vertical, as held for sale, in light of the changing trends and dynamics in the social gaming market. The assets and liabilities relating to this vertical have been presented separately in the condensed consolidated statement of financial position and are presented as discontinued operations in the Group's condensed consolidated statement of comprehensive income. The comparatives in the latter statement have also been restated to show the discontinued operations separately from the continuing operations. The loss after tax from the discontinued operations was £2.3 million (H1 2017: loss of £9.3 million). The net asset value of the discontinued operation at 28 February 2018 is £4.3 million. Management are committed to selling the social gaming operation and believe its value represents a fair market value.

Earnout settlements

During the period the 8Ball earnout consideration of £13,092,000 was settled, with £9,055,200 satisfied by the issue of 4,117,482 new ordinary shares of 0.01p each and the remainder of £4,036,800 paid in cash. The second of a two-part annual earn-out payable to the sellers of InfiApps Limited of £932,000 was also settled.

Post Period end we were pleased to agree a final earn-out consideration for Tarco of £17,352,217, included in current liabilities at 28 February 2018, comprising of the issue of 3,168,076 new ordinary shares to satisfy £7,753,238 and £9,598,979 paid in cash.

The successful performance of the 8ball and Tarco businesses to date demonstrates our ability to acquire and integrate quality businesses that complement or enhance our existing offering, in line with our growth strategy.

Finance expenses and Tax

Finance expenses for the Period totalled £0.5 million (H1 2017: £0.9 million) and principally relates to the unwinding of the discount on the contingent consideration that arose on the Tarco acquisition of £0.3 million (H1 2017: £0.5 million). The tax expense in the Period was £0.2 million (H1 2017: £0.1 million).

Cash flow and Balance Sheet

Stride Gaming continues to be highly cash generative, with a high cash conversion from Adjusted EBITDA. The Group has delivered another period of strong operating performance with net cash flow from operating activities totalling £9.0 million (H1 2017: £4.2 million). Significant cash outflows related to the 8ball earn-out payment of £4.0 million (H1 2017: InfiApps year 1 earnout payment of £3.9 million), as well as the payment of the final dividend of £1.1 million for the 2017 financial year (H1 2017: £0.9 million) and bank capital loan repayment of £1 million (H1 2017: £Nil).

Stride Gaming has a strong balance sheet with cash and cash equivalents of £27.9 million (31 August 2017: £26.2 million), which includes customer liabilities of £2.7 million (31 August 2017: £2.5 million).

The Group owns a 24.2% stake in an available-for-sale investment, QSB Gaming Limited ("QSB"), an operator of online casino and bingo gaming sites in the Spanish market. 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 has revalued its investment from £1,595,000 at 31 August 2017 to £6,250,000 at 28 February 2018, to reflect the best estimate of the investment's fair value having regard to the present value of the future expected cash flows discounted using a risk adjusted discount rate and a probability assessment of the various scenarios affecting the deferred and contingent consideration.

Adjusted earnings, EPS and dividend

Basic profit per share was 2.0 pence (H1 2017: basic loss per share of 15.3 pence). Adjusted basic earnings per share was down 7% to 11.2 pence (H1 2017: 12.0 pence). The Board believes that adjusted basic earnings per share (excluding exceptional items such as impairment, contingent remuneration and consideration, acquisition costs, amortisation of intangible assets excluding those arising from internal development, share based payments and associated taxes) enables a better understanding of the underlying business performance.

	Unaudited	Unaudited
	H1 2018 £'000	H1 2017 £'000
Profit/(loss) after tax	**1,465**	**(10,272)**
Amortisation of intangible assets [1]	**3,585**	**3,152**
Depreciation	**136**	**107**
Acquisition and Listing costs	**89**	**(104)**
Contingent consideration	**(398)**	**4,845**
Loss from discontinued operation	**2,256**	**9,315**
Share-based payments	**682**	**640**
Unwinding of Tarco contingent consideration discount	**333**	**500**
Movement in deferred taxes related to acquisitions	**(125)**	**(142)**
Adjusted earnings	**8,023**	**8,041**
Adjusted basic earnings per share	**11.2**	**12.0**
Adjusted diluted earnings per share [2]	**10.5**	**11.6**
Basic profit/(loss) per share	**2.0**	**(15.3)**

[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.

In respect of the period ended on the 28 February 2018 the Board has declared an interim dividend of 1.3 pence per share, an increase of 8% over the prior Period (29 February 2017: 1.2 pence per share) and in line with the Group's progressive dividend policy.

The dividend timetable:

Ex-dividend date	5 July 2018
Record Date for dividend	6 July 2018
Payment Date	1 August 2018

Ronen Kannor

Chief Financial Officer

23 May 2018

STRIDE GAMING PLC
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the period ended 28 February 2018

	Note	6 months to 28 February 2018 £'000	6 months to 28 February 2017 £'000
Revenue including 50% joint venture		**44,897**	39,328
Less joint venture revenue (net of platform fee income)		**(1,035)**	-
Revenue		**43,862**	39,328
Cost of sales		**(7,917)**	(5,594)
Gross profit		**35,945**	33,734
Distribution costs		**(17,525)**	(17,151)
Administrative expenses		**(9,740)**	(7,793)
Adjusted EBITDA		**8,680**	8,790
Share based payments		**(682)**	(640)
Acquisition costs		**(89)**	104
Contingent remuneration	7	**-**	(4,845)
Contingent consideration	7,9	**398**	-
Amortisation of intangible assets		**(3,891)**	(3,302)
Depreciation		**(136)**	(107)
Operating profit		**4,280**	-
Share of profits of equity accounted joint ventures	13	**38**	-
Finance expense		**(464)**	(906)
Finance income		**39**	25
Profit/(loss) before tax		**3,893**	(881)
Tax expense	10	**(172)**	(76)
Profit/(loss) after tax from continuing operations		**3,721**	(957)
Loss from discontinued operations	12	**(2,256)**	(9,315)
Profit/(loss) after tax		**1,465**	(10,272)
Profit for the year attributable to			
Owners of the parent		**1,523**	(10,272)
Non-controlling interest		**(58)**	-
		1,465	(10,272)
Other comprehensive income:			
Items that will or may be reclassified to profit or loss			
Exchange gains arising on translation of foreign operations		**(523)**	878
Change in fair value of available-for-sale investment	**16**	**4,655**	-
Total comprehensive income		**5,597**	(9,394)
Total comprehensive income attributable to:			
Owners of the parent		**5,712**	(9,394)
Non-controlling interest		**(115)**	-
		5,597	(9,394)
Profit/(loss) per Share (p)	**4**		
Basic		**2.05**	**(15.3)**
Diluted		**1.93**	**(15.3)**
Profit/(loss) per Share from continuing operations (p)	**4**		
Basic		**5.19**	**(1.4)**
Diluted		**4.89**	**(1.4)**

STRIDE GAMING PLC
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 28 February 2018

	Note	Unaudited At 28 February 2018 £'000	Audited At 31 August 2017 £'000
ASSETS			
Non-current assets			
Property plant and equipment		**769**	661
Intangible assets	5	**48,787**	57,756
Other receivables	6	**256**	353
Deferred tax asset		**726**	745
Available for sale investments	16	**6,250**	1,595
Investment in equity accounted joint venture	13	**38**	-
		56,826	61,110
Current assets			
Trade and other receivables	6	**8,887**	9,891
Income tax receivable		**81**	453
Cash and cash equivalents		**27,922**	26,175
		36,890	36,519
Assets in disposal groups classified as held for sale	12	**5,445**	-
Total assets		**99,161**	97,629
LIABILITIES			
Non-current liabilities			
Trade and other payables	7	**17**	80
Loans and borrowings	8	**3,456**	4,443
Deferred tax liability	10	**1,020**	2,539
		4,493	7,062
Current liabilities			
Trade and other payables	7	**29,308**	33,377
Income tax payable		**313**	300
Loans and borrowings	8	**1,975**	1,975
		31,596	36,652
Liabilities directly associated with assets in disposal groups classified as held for sale	12	**1,172**	-
Total liabilities		**37,261**	42,714
Net assets		**61,900**	54,915

	Note	Unaudited At 28 February 2018 £'000	Audited At 31 August 2017 £'000
Issued capital and reserves attributable to owners of the parent			
Share capital		**727**	680
Share premium		**50,933**	40,641
Available-for-sale reserve		**6,250**	1,595
Foreign currency translation reserve		**2,586**	3,052
Retained earnings		**427**	8,947
		60,923	54,915
Non-controlling interest		**977**	-
TOTAL EQUITY		**61,900**	54,915

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the period ended 28 February 2018

	Share capital £'000	Share Premium £'000	Merger Reserve £'000	Shares to be issued reserve £'000	Available-for-sale reserve £'000	Capital contribution reserve £'000	Share option reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total equity £'000
At 31 August 2016	**666**	**38,975**	**11,253**	**1,674**	**810**	**13,707**	**1,911**	**2,572**	**(2,382)**	**-**	**69,186**
Loss for the period	-	-	-	-	-	-	-	-	(10,272)	**-**	**(10,272)**
Other comprehensive income	-	-	-	-	-	-	-	878	-	-	**878**
Total Comprehensive income	-	-	-	-	-	-	-	878	(10,272)	-	**(9,394)**
Dividends	-	-	-	-	-	(943)	-	-	-	-	**(943)**
Share based payment	-	-	-	-	-	-	-	-	718	-	**718**
Issue of shares	8	1,666	-	(1,674)	-	-	-	-	-	-	**-**
Reserves transfer	-	-	(11,253)	-	-	(12,764)	(1,911)	-	25,928	-	**-**
At 28 February 2017	**674**	**40,641**	**-**	**-**	**810**	**-**	**-**	**3,450**	**13,992**	**-**	**59,567**
Loss for the period	-	-	-	-	-	-	-	-	(15,351)	-	**(15,351)**
Other comprehensive income	-	-	-	-	785	-	-	(398)	-	-	**387**
Total comprehensive expense for the period	**-**	**-**	**-**	**-**	**785**	**-**	**-**	**(398)**	**(15,351)**	**-**	**(14,964)**
Dividends	-	-	-	-	-	-	-	-	(809)	-	**(809)**
Share based payment	-	-	-	-	-	-	1,033	-	-	-	**1,033**
Share based payment on contingent remuneration	-	-	-	-	-	-	10,088	-	-	-	**10,088**
Issue of shares placed in trust	6	-	-	-	-	-	-	-	(6)	-	**(6)**
Reserves transfer	-	-	-	-	-	-	(11,121)	-	11,121	-	**-**
At 31 August 2017	**680**	**40,641**	**-**	**-**	**1,595**	**-**	**-**	**3,052**	**8,947**	**-**	**54,915**
Profit/(loss) for the period	-	-	-	-	-	-	-	-	1,523	**(58)**	**1,465**
Other comprehensive income	-	-	-	-	4,655	-	-	(466)	-	**(57)**	**4,132**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**4,655**	**-**	**-**	**(466)**	**1,523**	**(115)**	**5,597**
Dividends	-	-	-	-	-	-	-	-	(1,078)	**-**	**(1,078)**
Acquisition of subsidiary with a non-controlling interest	-	-	-	-	-	-	-	-	-	**1,092**	**1,092**
Issue of shares on exercise of share based payments	6	1,278	-	-	-	-	-	-	(545)	**-**	**739**
Issue of shares to settle contingent remuneration	41	9,014	-	-	-	-	-	-	(9,055)	**-**	**-**
Share-based payment	-	-	-	-	-	-	-	-	635	**-**	**635**
At 28 February 2018	**727**	**50,933**	**-**	**-**	**6,250**	**-**	**-**	**2,586**	**427**	**977**	**61,900**

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

Share premium	Amount subscribed for share capital in excess of nominal value.
Shares to be issued	Represents the shares to be issued in respect of the acquisition of certain intangibles assets, which were issued in the prior period.
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 as well as inter-company loan balances treated as investment in subsidiaries that the directors believe will not be repaid for the foreseeable future.
Retained earnings	The account includes cumulative profits and losses less any distributions made to shareholders. In addition, during the year ending 31 August 2017 the total balance in the merger, share option and capital contribution reserves were transferred to this account and are available for distribution under Jersey Company Law 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.

STRIDE GAMING PLC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 28 February 2018	Note	6 months to 28 February 2018 £'000	6 months to 28 February 2017 £'000
Cash flows from operating activities			
Profit/ (loss) for the period		**1,465**	(10,272)
Adjustments for:			
Depreciation of property, plant and equipment		**153**	121
Amortisation of intangible assets		**6,817**	4,263
Impairment of intangible assets		**-**	10,160
Finance expense		**464**	906
Share-based payment expense		**682**	640
Finance income		**(39)**	(25)
Income tax expense/(credit)		**358**	(792)
		9,900	5,001
Decrease/(increase) in trade and other receivables		**582**	(542)
(Decrease) / Increase in trade and other payables		**(1,132)**	404
Cash generated from operations		**9,350**	4,863
Income taxes paid		**(298)**	(635)
Net cash flows from operating activities		**9,052**	4,228
Investing activities			
Purchases of property, plant and equipment		**(311)**	**(100)**
Purchase of intangibles		**(335)**	**(262)**
Capitalised development costs		**(773)**	**(582)**
Investment in Passion Gaming, net of cash acquired		**(40)**	**-**
Finance income		**39**	**25**
Net cash used in investing activities		**(1,420)**	**(919)**
Financing activities			
Bank borrowings, net of fees		**-**	**7,905**
Repayment of bank borrowings		**(1,000)**	**-**
Exercise of share-based payments		**739**	**-**
Interest paid		**(120)**	**(369)**
Contingent remuneration		**(3,958)**	**(3,953)**
Repayment of related party borrowings		**-**	**(8,000)**
Dividend		**(1,078)**	**(943)**
Net cash used in financing activities		**(5,417)**	**(5,360)**
Net increase/(decrease)in cash and cash equivalents		**2,215**	**(2,051)**
Cash and cash equivalents at beginning of period		**26,175**	**21,080**
Exchange gains on cash and cash equivalents		**(24)**	**167**
Cash and cash equivalents at end of period		**28,366**	**19,196**

1 General information

The unaudited interim condensed consolidated financial statements for the six months ended 28 February 2018, which were approved by the Board of Directors on 23 May 2018, do not comprise statutory accounts and should be read in conjunction with the Annual Report for the year ended 31 August 2017. 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 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 2017 Annual Report, which is available on the Group's website at www.stridegaming.com. In the current reporting period, the Group has adopted a number of revised Standards and Interpretations. 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 standards are in issue but not yet effective:

- IFRS 9 'Financial Instruments' becomes effective for the first time for accounting periods beginning on or after 1 January 2018. It contains new requirements which cover classification and measurement, impairment and hedge accounting. The recognition and derecognition requirements for financial assets and financial liabilities are unchanged from IAS 39 Financial Instruments: Recognition and Measurement, which is the standard it is replacing. For full details of the proposed changes refer to the Group's 2017 Annual Report. The Directors do not expect that the adoption of this standard will have a material impact on the financial statements of the Group in future periods.

- IFRS 15 'Revenue from contracts with customers' establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, with an effective date for accounting periods beginning on or after 1 January 2018. An ongoing assessment of the requirements of the new standard suggest it will not have a material impact upon the Group's reported performance, although the Group will continue to assess the full impact to ensure it is ready to implement the new standard in advance of its effective date. The main elements of this standard is further explained in the Group's 2017 Annual Report.

- IFRS 16 'Leases' will replace IAS 17 in its entirety and is effective for accounting periods beginning on or after 1 January 2019. 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. The Group continues to assess the full impact of IFRS 16.

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.

The following accounting policies were required to be applied for the first time during the period, due to relevant transactions taking place:

Investment in equity accounted joint ventures
Joint ventures are those entities over whose relevant activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. Joint ventures are accounted for using the equity method and are recognised initially at cost. The Group's share of post-acquisition profits and losses is recognised in the consolidated income statement, except that losses in excess of the Group's investment in the joint ventures are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its joint ventures are recognised only to the extent of unrelated investors' interests in the joint ventures. The investor's share in the profits and losses of the investment resulting from these transactions is eliminated against the carrying value of the investment. Any premium paid above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment. Where there is objective evidence that the investment has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets, and any charge or reversal of previous impairments is taken to the consolidated income statement. Where amounts paid for an investment in a joint venture are in excess of the Group's share of the fair value of net assets acquired, the excess is recognised as negative goodwill and released to the consolidated income statement immediately. The Group's share of additional equity contributions from other joint venture partners is taken to the consolidated statement of comprehensive income.

Non-current assets held for sale and disposal groups
Non-current assets and disposal groups are classified as held for sale when:

- They are available for immediate sale
- Management is committed to a plan to sell
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn
- An active programme to locate a buyer has been initiated
- The asset or disposal group is being marketed at a reasonable price in relation to its fair value, and
- A sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- Their carrying amount immediately prior to being classified as held for sale in accordance with the group's accounting policy; and
- Fair value less costs of disposal.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated. The results of operations disposed during the year are included in the consolidated statement of comprehensive income up to the date of disposal. A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the consolidated statement of comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

Accounting for subsidiaries: Non-controlling interest
A subsidiary is an entity controlled directly or indirectly by the Group. The Group controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

On the date of acquisition the assets and liabilities of the relevant subsidiaries are measured at their fair values. The non-controlling interest is stated at the non-controlling interest's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3 Segment information

Following the decision by management to dispose of the Group's social gaming segment (refer to note 12) this means that the Group only has one operating segment being real money gaming which is its UK focused, online operation, using its proprietary and purchased software to provide online bingo and related gaming activities to players. This segment only operates in regulated markets, principally the UK.

4 Earnings per share

Numerator	**6 months to 28 February 2018 £'000**	**6 months to 28 February 2017 £'000**
Profit/(loss) from continuing operations	**3,721**	(957)
(Loss) from discontinued operations	**(2,256)**	(9,315)
Total profit/ (loss) for the period	**1,465**	(10,272)
Denominator	**'000**	'000
Weighted average number of shares used in basic EPS	**71,627**	67,207
Effects of:		
Employee share options	**2,343**	2,044

Contingent share consideration on business combination	**2,109**	-
Weighted average number of shares used in diluted EPS	**76,079**	69,251

5 Intangible assets

	Software and Licenses £'000	Development costs £'000	Brand Names £'000	Goodwill £'000	Customer and contractual relationships £'000	Total £'000
Cost						
At 1 September 2016	**15,708**	**1,274**	**8,326**	**36,238**	**19,107**	**80,653**
Acquired through business combination	-	-	-	180	-	180
Additions	489	-	-	-	-	489
Internally generated development costs	-	1,355	-	-	-	1,355
Foreign exchange rate movements	171	9	23	103	50	356
At 31 August 2017	**16,368**	**2,638**	**8,349**	**36,521**	**19,157**	**83,033**
Additions	335	-	-	-	-	335
Internally generated development costs	-	773	-	-	-	773
Acquired through business combination	31	-	-	1,342	-	1,373
Foreign exchange rate movements	(617)	(71)	(86)	-	(189)	(963)
Transferred to disposal group	(8,796)	(1,230)	(1,237)	(5,950)	(2,717)	(19,930)
At 28 February 2018	**7,321**	**2,110**	**7,026**	**31,913**	**16,251**	**64,621**
Accumulated amortisation and impairment						
At 1 September 2016	**3,277**	**248**	**865**	**-**	**2,697**	**7,087**
Charge for the period	2,226	588	1,744	-	3,817	8,375
Impairment	2,332	-	266	6,056	1,333	9,987
Foreign exchange rate movements	(38)	(3)	(4)	(106)	(21)	(172)
At 31 August 2017	**7,797**	**833**	**2,871**	**5,950**	**7,826**	**25,277**
Charge for the period	3,764	492	791	-	1,768	6,815
Foreign exchange rate movements	(324)	(25)	(52)	-	(143)	(544)
Transferred to disposal group	(6,321)	(481)	(812)	(5,950)	(2,150)	(15,714)
At 28 February 2018	**4,916**	**819**	**2,798**	**-**	**7,301**	**15,834**
NBV						
At 1 September 2016	12,431	1,026	7,461	36,238	16,410	73,566
At 31 August 2017	8,571	1,805	5,478	30,571	11,331	57,756
At 28 February 2018	**2,405**	**1,291**	**4,228**	**31,913**	**8,950**	**48,787**

Amortisation rates

During the period 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 £3.4 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 combined into one cash generating unit which covers real money gaming. This is due to the cross-selling opportunities that have arisen post acquisitions and the centralisation of several departments, therefore making it more difficult to separate the cash flows attributable to each cash generating unit.

Goodwill is allocated to the following cash generating units

	28 February 2018 £'000	**31 August 2017 £'000**
Real money gaming	**30,571**	**30,571**
Passion Gaming	**1,342**	**-**
	31,913	30,571

Social Gaming Cash Generating Unit ("CGU") prior period impairment

The goodwill and related assets included within this CGU resulted from the acquisition of InfiApps Ltd, which completed in the year ended 31 August 2015.

A review for indicators of impairment was undertaken as part of the half-year results at 28 February 2017 to assess whether any potential indicators were apparent and following this review a detailed impairment review was completed in respect of the Social Gaming cash generating unit to determine if the carrying value of assets was supported by the net present value of future cash flows derived from those assets. The recoverable amount was determined from value in use calculations based on cash flow projections from formally approved budgets and long-term forecasts. These budgets and forecasts assumed the underlying business models will continue to operate on a comparable basis under the current regulatory and taxation regimes, adjusted for any known changes. As a result of this review the Group determined that the weaker than expected social gaming market had an adverse effect on the projected value in use and consequently the intangible assets were written down to their value in use.

At 28 February 2018 the remaining assets of this CGU were transferred to a disposal group classified as held for sale. Refer to Note 12 for further details.

An impairment of £6,056,000 has been charged against goodwill and £3,931,000 against acquired intangibles in the period ended 28 February 2017.

6 Trade and other receivables

	28 February	**31 August**

	2018 £'000	2017 £'000
Current		
Trade receivables	**3,195**	3,782
Other receivables	**335**	524
Funds held in escrow	**4,000**	4,929
Amounts due from related parties	**355**	2
Prepayments	**1,002**	654
	8,887	9,891
Non-current		
Other receivables	**256**	353

7 Trade and other payables

	28 February 2018 £'000	31 August 2017 £'000
Current		
Trade payables	**4,188**	2,927
Other payables	**412**	321
Other taxation and social security	**1,670**	1,456
Client liabilities and progressive prize pools	**2,658**	2,489
Contingent remuneration (a)	**-**	4,968
Contingent consideration (b)	**17,352**	17,417
Amounts due to related parties	**816**	442
Accruals and deferred income	**2,212**	3,357
	29,308	33,377
Non-current		
Other payables	**17**	80

(a) The contingent remuneration at 31 August 2017 represents the following:
- £932,000 being the second of a two-part annual earn-out payable to the sellers of InfiApps Limited. This was settled in September 2017 using the cash held in escrow at 31 August 2017; and
- £4,036,000 being the one year earn-out payable to the sellers of 8ball Games Limited. This was settled in cash in September 2017.

(b) The contingent consideration relates to the acquisition of certain assets from Tarco Limited which was recorded as a liability on 31 August 2016, being the acquisition date. It was being unwound from this date until the consideration is due to be paid and was calculated based on the Group's expectation of what it will pay in accordance to the sale and purchase agreement. The earn-out targets are based on the EBITDA multiple of the annual results of the year ended 31 December 2017. The total payable has been re-assessed both at 31 August 2017 and 28 February 2018 and was agreed at £17,352,217. This was settled in April 2018 in cash of £9,598,979 and 3,168,076 shares satisfying payment of £7,753,238, in accordance with the term of the asset purchase agreement.

8 Loans and borrowings

	28 February 2018 £'000	31 August 2017 £'000

Current		
Bank borrowings	**1,975**	1,975
Non-current		
Bank borrowings	**3,456**	4,443

During the year ended 31 August 2017, £8.0 million of related party borrowings were repaid. In November 2016, the Group entered into a loan facility with Barclays Bank Plc for £8.0 million. This facility matures four years from the date of the initial drawdown on a 3.6 per cent plus LIBOR annual floating rate basis payable quarterly, with the principal sum outstanding amortising on a quarterly basis over the term of the facility. Daub Alderney Limited, Spacebar Media Limited, S.T.R. Financials Ltd and InfiApps Limited (all 100% subsidiaries of the Group) have provided unlimited guarantee on the borrowings.

9 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 2018 the total contingent consideration liability was £17,352,217 (31 August 2017: £17,417,000) and the working capital adjustment receivable was £355,000 (31 August 2017: £Nil). The movement in the contingent consideration liability is the unwinding of the discount on the consideration of £333,000 (H1 2017: £500,000) included in 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. Refer to note 7.

A total of £170,000 was due to a company under control of common significant shareholders at 31 August 2017 and 31 August 2016. The amount due is interest free and there were no transactions with this related party in the current or prior year.

The Group entered into 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 six months ended 28 February 2018 were £1,437,000 (H1 2017: £3,033,000). From this total £971,000 (H1 2017: £2,674,000) 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 2018 were £92,000 (31 August 2017: £272,000) and the total amounts receivable by the Group at 28 February 2018 were £Nil (31 August 2017: £2,000).

On 30 July 2015, the Group entered into a loan agreement with a shareholder for a total amount of £8,000,000. The amount, which was due for full repayment in July 2017, was incurring interest of 7.5% per annum paid monthly in arrears. On 9 December 2016 the loan was repaid in full following the refinancing agreed with Barclays in November 2016. Total interest expense in the period ended 28 February 2018 was £Nil (H1 2017: £158,000 plus an early termination fee of £100,000). There was no balance due at 28 February 2018 or 31 August 2017.

During the prior year a total expense of £14,124,000 was recognised in the profit or loss account in relation to the contingent remuneration following the acquisition of 8Ball Games Ltd. This was split between a cash payable amount of £4,036,000 and a share based payment expense of £10,088,000 which was due to the previous owners of the 8Ball Games Ltd who are considered KMP. The liability was repaid in September 2017 through the payment of cash and the issue of 4,117,482 new ordinary shares of 0.01p each.

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 2018 the Group recognised £444,000 of platform income (H1 2017: £Nil) and a share of profit from the joint venture of £38,000 (H1 2017: £Nil), both in the Condensed Consolidated Statement of Comprehensive Income. As at 28 February 2018, the Group owed Aspers Online Limited £554,000 (31 August 2017: £Nil).

10 Taxation

	28 February 2018 £'000	**28 February 2017 £'000**
Taxation on continuing operations		
Current tax expense	**(297)**	(218)
Release of deferred tax liability on acquired intangibles	**125**	142
Total tax charge	**(172)**	(76)

	£'000
Movement in deferred tax liability	
Opening at 1 September 2017	2,539
Recognised in profit or loss	(655)
Foreign exchange movement	(78)
Transferred to asset held for sale and discontinued operations (note 12)	(786)
Closing at 28 February 2018	1,020

11 Events after the reporting date

In April 2018 the contingent consideration for the Tarco assets was settled, in both shares and cash in accordance with the terms of asset purchase agreement. Refer to Note 7(b) for further details.

In May 2018 a sale was agreed by all QSB Gaming Limited shareholders, which the Group owns a share of 24.2%. The sale was completed on 22 May 2018. Refer to Note 16.

12 Assets held for sale and discontinued operations

On 28 February 2018 the Board decided to classify its social gaming cash generating unit ("CGU") and more specifically 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. The comparatives have been restated to show the discontinued operation separately from the continuing operations. 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 Condensed Consolidated Statement of Financial Position. Results of the discontinued operations for the periods presented through to the date of discontinuance are as follows:

	6 months to 28 February 2018 £'000	6 months to 28 February 2017 £'000
Revenue	**2,511**	4,679
Distribution costs	**(1,034)**	(2,448)
Administrative expenses	**(1,025)**	(1,377)
Adjusted EBITDA	**452**	854
Contingent remuneration	**-**	98
Impairment	**-**	(10,160)
Amortisation of intangible assets	**(2,926)**	(961)
Depreciation	**(17)**	(14)
Operating loss and loss before tax	**(2,491)**	(10,183)
Tax credit	**235**	868
Loss after tax and other comprehensive income	**(2,256)**	(9,315)
Loss per share from discontinued operations (p)		
Basic	(3.2)	(13.9)
Diluted	(3.2)	(13.9)

Cash flows from discontinued operations:

	6 months to 28 February 2018 £'000	6 months to 28 February 2017 £'000
Net cash generated from operating activities	**240**	1,551
Net cash used in investing activities	**(213)**	(313)
Net cash generated from discontinued operations	**27**	1,238

Details of net assets and liabilities held for sale:

	Assets 28 February 2018 £'000
Trade and other receivables	701
Deferred tax asset	16
Property, plant and equipment	68
Intangible assets	4,216
Cash and cash equivalents	444
	5,445

	Liabilities 28 February 2018 £’000
Trade and other payables	386
Deferred tax liability	786
	1,172

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 profit from the joint venture for the period ended 28 February 2018 was £38,000. Refer to note 9 for further details.

14 Business Combination during the 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 provisional fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book and fair value £'000
Property, plant and equipment	**26**
Intangibles	**31**
Cash	**2,437**
Trade and other receivables	**5**
Trade and other payables	**(270)**
Minority interest	**(1,092)**
Total net assets	**1,137**
Fair value of cash consideration paid	**2,479**
Goodwill (note 5)	**1,342**

As part of the acquisition the Group has the right, through call options, 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 are not material and therefore have not been recognised.

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

Total acquisition costs amounted to £89,000 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 will complete post period end, once all the software and related intellectual property is delivered to the Group, and from that date, the cash invested in Passion Gaming, will be used to further develop and enhance it.

15 Non-cash movements in cash flow statement

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

16 Available-for-sale investment

The Group holds a 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 do not believe that they exercise significant influence over the investee. This is on the basis that the Group has no representation on the board and no participation in decisions over operating and financial policies. The Group has 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 has revalued its investment from £1,595,000 at 31 August 2017 to £6,250,000 at 28 February 2018, to reflect the best estimate of the investment's fair value having regard to the present value of the future expected cash flows discounted using a risk adjusted discount rate and a probability assessment of the various scenarios affecting the deferred and contingent consideration.