

THE WEATHER LOTTERY PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2011

REGISTERED NUMBER: 04458947 (England and Wales)

THE WEATHER LOTTERY PLC

COMPANY INFORMATION

DIRECTORS	Lord E T Razzall R R White A J A Flitcroft
SECRETARY	J M Botros
COMPANY NUMBER	04458947
REGISTERED OFFICE	Units 25-27 Hagley Mews Hall Drive Hagley DY9 9LQ
NOMINATED ADVISERS AND BROKERS	Allenby Capital Limited Claridge House 32 Davies Street Mayfair London W1K 4ND
AUDITORS	Rochesters Audit Services Limited 13 Caroline Street St. Paul's Square Birmingham B3 1TR
SOLICITORS	Dawsons 2 New Square Lincoln's Inn London WC3A 3RZ
REGISTRARS	SLC Registrars Limited 42-46 High Street Esher Surrey KT10 9QY
PRINCIPAL BANKERS	National Westminster Bank plc Leeds City Office 8 Park Row Leeds LS1 5HD
BROKERS	SVS Securities Plc 21 Wilson Street London EC2M 2SN

THE WEATHER LOTTERY PLC
CONTENTS

	Page
FINANCIAL STATEMENTS	
Chairman's Statement	3
Directors' Report	5
Independent Auditor's Report	13
Consolidated Income Statement	15
Consolidated Statement of Financial Position	16
Consolidated Statement of Changes in Equity	17
Consolidated Cash Flow Statement	18
Notes to the Consolidated Financial Statements	19
Parent Company Balance Sheet	45
Notes to the Parent Company Balance Sheet	46

THE WEATHER LOTTERY PLC

CHAIRMAN'S STATEMENT

Operating and Financial Review

As the results show this has been a difficult year for The Weather Lottery Plc ("TWL"), not all of which can be attributed to the hard economic climate in the leisure sector. Earlier in the year TWL in accordance with its market obligations announced an update to the market of its anticipated second half trading in respect of its year ended 31 July 2011. The Audited results for the period are in line with those forecasts with pretax losses of £789,000, compared to losses in the first half of £321,000 and for the full year 2009/10 of £77,000.

During the year TWL has made three acquisitions. In June 2011 it acquired a five-a-side centre in Nottingham. It is expected that in the coming year this will prove a sound investment providing a solid asset from which to generate profit. However as announced on 25 November 2011, the upgrade in this facility at the Harvey Hadden Sports Complex has been delayed and during the period from acquisition to 31 July traded at approximately breakeven. When purchased the vendors gave certain warranties relating to the cost of and their contribution to this upgrade process. On legal advice the Board consider those warranties have not been met and the vendors have been notified that the Company is taking legal action to enforce the warranties by the vendors as to the actual condition of the centre and the funds to be provided by the vendors towards the cost of the upgrade

Losses at FC Betz amounting to £267,000 in the first half year including expensed sponsorship costs of £177,000 and operating losses of £90,000, were considerably reduced in the second half and now amount to approximately £400,000 for the full year, with club sponsorship expenses now eliminated and consultancy costs significantly reduced. As can be seen from the year end figures the steps taken by the Board to staunch the losses in this subsidiary are proving effective. The Board do not consider FC Betz to be part of the future of the business and are seeking ways to dispose of it and its assets and database as soon as possible.

The core lottery business has reported a small operating profit for the year, despite expenses relating to the fraud committed by two former employees causing costs exceeding £100,000 for the year. Thankfully this matter is now fully concluded and we believe fully provided for in the accounts. This is a commendable performance in very difficult circumstances. It shows the resilience of the Lottery Business which has been operating for over 15 years. As announced on 20 June, contract renegotiations have improved the security and profitability during the last quarter of the company's financial year although it will take time for these to be fully realised. TWL also acquired Clicknow, the intermediate search facility, available as an additional source of fund raising to charities and other organizations. This will be developed in the coming year. TWL believes Clicknow increases the product range it can offer to fund raisers and increases its profile in this marketplace.

The third acquisition during the year was the Devilfish on-line poker and gaming business. At this subsidiary, losses for the period from acquisition in December 2010 to 31 July 2011 amount to £149,000. These include losses within the casino operation alluded to in the Company's June update. A renegotiation of supplier contracts with effect from 1 September 2011 should significantly improve the results of the operation from that time.

Head office costs for the year, excluding write-offs, amounted to approximately £230,000.

THE WEATHER LOTTERY PLC

CHAIRMAN'S STATEMENT

Your Board has on the advice of the auditors made full and prudent provision in these accounts for the losses. It acknowledges and announces the impairment to asset value. However it considers that the steps it has taken in these accounts will assist in improved trading for the company which it hopes will be reflected in the half year figures to 31 January 2012. These half-year figures are expected to show much reduced losses. They nevertheless include the costs associated with the restructuring of the FC Betz business detailed above and the delays in the refurbishment of the five-a-side facility previously announced, together with the central overhead and advisory fees required by and consistent with the status of TWL as a listed public company.

The increase in reported loss of £49k when compared to the loss of £740k previously announced in the company's trading statement issued on 5 December 2011 is the result of additional asset write downs and provisions which came to rise during the audit and are considered prudent to include in the year as advised by the Company's auditors

Lord E T Razzall
Chairman

THE WEATHER LOTTERY PLC
DIRECTORS' REPORT
For the year ended 31 July 2011

The Directors present their Report and the annual Financial Statements for the year ended 31 July 2011.

Principal activities

The principal activity of the Company is that of a holding company.

The principal activity of the Group in the period was that of lottery administrators, online gaming and marketing activities. The Group also earns commission via search engine provision and operation of floodlit football astro-turf pitches.

Business review and future developments

The Weather Lottery Plc's ("The Weather Lottery") principal activity is that of lottery administrators but also commenced in the period operations in respect of online gaming, IT search engines and the provision of football pitches. A review of these activities, future developments and principal risks is provided in the Chairman's Statement and the Principal risks and uncertainties section.

Financial key performance indicators ("KPI's")

The key performance indicators reviewed by the Group Board are as follows:

- Turnover
- Operating profit
- Profit before taxation
- Rolling cash flow forecasts

These indicators are reviewed by the Group Board at least once a month. Explanations are sought and given for any material variances and the management are required to provide plans to recover any performance failures as they occur during the year.

Principal risks and uncertainties facing the Group

Management and employees

The nature of the Group and its business model creates reliance upon retaining and incentivising its senior management and certain key employees, whose expertise will be important to the fortunes of the Group going forward. The Directors have endeavoured to ensure that the principal members of its management team are suitably incentivised, but the retention of such staff cannot be guaranteed.

The Group may need to recruit additional senior management and other staff in order to further develop its business. There can be no guarantee that such individuals will be recruited in the Group's preferred timetable or at the cost levels anticipated by the Group. Competition for staff is strong and therefore the Group may find it difficult to retain key management and staff. The loss of key personnel and the inability to recruit further key personnel could have a material adverse effect on the future of the Group through the impairment of the day-to-day running of the businesses and the inability to maintain existing client relationships.

Exposure of the Group to UK economic conditions

Demand for the Group's services may be significantly affected by the general level of economic activity and economic conditions in the regions and sectors in which the Group operates. Therefore, a

THE WEATHER LOTTERY PLC

DIRECTORS' REPORT For the year ended 31 July 2011

continuation of the economic downturn, especially in regions or sectors where the Group's operations are focused, could have a material adverse effect on the Group's business and financial results.

Competition

The Group is engaged in business activities where there a number of competitors. Many of these competitors are larger than the relevant businesses carried on by the Group and have access to greater funds than the Company, which will potentially enable them to gain market share at the expense of the Group.

Acquisitions

The Directors cannot discount circumstances where an acquisition would support the Company's business strategy. However, there is no guarantee that the Company will successfully be able to identify, attract and complete suitable acquisitions or that the acquired business will perform in line with expectations.

Funding and working capital

The Group has given the usual undertakings, covenants and security for its funding facility. Maintaining a sufficient level of working capital is essential to enable the Group to meet its foreseeable obligations and achieve its strategy. Failure to manage working capital could impact upon the ability of the Group to grow.

Management of growth

The ability of the Group to implement its strategy in an expanding market requires effective planning and management control systems. The Directors anticipate that further expansion will be required to respond to market opportunities and the potential growth in its client base. The Group's growth plans may place a significant strain on its management, operational, financial and personnel resources. The Group's future growth and prospects will, therefore, depend on its ability to manage the growth and to continue to expand and improve operational, financial and management information and quality control systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and management information and quality control systems in line with the Group's growth could have a material adverse effect on its business, financial condition and results of operations.

Market developments

Any failure to expand the Group's service offering in response to customer demand and/or industry developments may have an adverse effect on the Group's financial performance and prospects.

Reliance on Partners

Much of the Group's business is dependent on partners (charities, clubs, etc). Changes in key relationships within those partners, change of strategic direction by partner organisations, changes in the viability of partner-owned technology, economic and other business circumstances could all have an adverse effect on the financial performance of the Group.

Legal and regulatory matters

The Group is subject to a considerable degree of regulation and legislation. Changes in or extensions of laws and regulations affecting the industry in which the Group operates (or those in which its

THE WEATHER LOTTERY PLC

DIRECTORS' REPORT For the year ended 31 July 2011

customers operate) and the rules of industry organisations could restrict or complicate the Group's business activities, with the potential to increase compliance / legal costs significantly.

As required by section 656 of the Companies Act 2006, the Directors are required to point out that the net assets of the Company are less than 50% of the aggregate of share capital and the share premium account. The Board will discuss at the AGM the ways that it seeks to rectify this position in the near future.

Financial risk management

The Group's financial risk management policies are disclosed in the accounting policies and note 20 within the financial statements.

Dividends

The Directors do not recommend a dividend for the year (2010: £nil).

Directors

The following Directors held office during the financial year ended 31 July 2011:

Lord E T Razzall
R R White
K G Milhench Resigned 2 September 2010
A Moore Resigned 1 August 2011

On 7 November 2011 A J A Flitcroft was appointed as a Director of the Board.

Directors' interests in shares and warrants

The Directors who held office at 31 July 2011 had the following interests in the shares of the Company, including family interests:

	Ordinary shares of 0.1p each	
	At 31 July 2011	At 31 July 2010 (or date of appointment, if later)
Lord E T Razzall	8,000,000	8,000,000
R R White	3,333,334	3,333,334
A Moore	8,000,000	8,000,000

During the year to 31 July 2010 the following share options were issued to the above Directors, none were exercised in the year to 31 July 2011 and all were still held at the year end:

	Number	Exercise price	Exercise period
Lord E T Razzall	3,200,000	0.75p-1.25p	8 June 2010 – 2 June 2017
R R White	3,200,000	0.75p-1.25p	8 June 2010 – 2 June 2017
A Moore	3,200,000	0.75p-1.25p	8 June 2010 – 2 June 2017

THE WEATHER LOTTERY PLC

DIRECTORS' REPORT For the year ended 31 July 2011

Further details of these options are given in notes 24 and 27 to the Financial Statements.

Directors' Remuneration

In accordance with AIM Rule 19, the remuneration of the Directors, who served during the year is detailed below:

	<i>Salary, fees & Benefits in kind</i>	<i>Bonus</i>	<i>Pension contributions</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Lord E T Razzall	15	-	-	15
R R White	50	-	-	50
K G Milhench	10	-	-	10
A Moore	12	-	-	12

Substantial shareholdings

The Company has been notified of the following substantial holdings of ordinary 0.1p shares as at 7 December 2011

	<i>Percentage Holding</i>	<i>No. of shares</i>
HALB Nominees Ltd*	13.91%	52,905,392
SVS (Nominees) Ltd***	11.93%	45,393,105
Devilfish Gaming Plc	7.89%	30,000,000
Petwood Hotel Ltd	7.89%	30,000,000
Pershing Nominees Ltd**	6.84%	26,089,205
R Brealey	5.26%	20,000,000
TD Direct Investing Nominees Ltd	4.36%	16,571,197
Barclayshare Nominees Ltd	3.88%	14,755,890

* - includes 41,527,614 shares (17.48%) held on behalf of J and M Williams

** - includes 22,321,112 shares (9.39%) held on behalf of J M Botros, 8,000,000 shares (3.37%) held on behalf of Lord E T Razzall

*** - includes 9,666,667 shares (4.07%) held on behalf of K G Milhench

No other person has notified an interest in the ordinary shares of the Company as required to be disclosed to the Company.

THE WEATHER LOTTERY PLC

DIRECTORS' REPORT For the year ended 31 July 2011

Capital Structure

Details of the issued share capital are shown in note 22. There are no special restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restriction on the transfer of securities or on voting rights. No one has any special rights of control over the Company's share capital and all issued shares are fully paid.

Under its Articles of Association, the company has authority to issue the amount of shares shown in note 22.

Donations

Charitable and political donations made by the Group during the year amounted to £nil (2010: £nil).

Creditor payment policy and practice

It is the Group's policy to establish terms of payments with suppliers when agreeing each transaction or series of transactions, to ensure that suppliers are aware of these terms of payment and to abide by them. At 31 July 2011, the Group had an average of 99 days (2010: 56 days) of purchases outstanding in trade creditors.

Post balance sheet events

Share capital of £125,000 was issued on 20 September 2011. A J A Flitcroft was appointed Finance Director on 7 November 2011. No other significant events have taken place during the post balance sheet period.

Going concern

UK Company Law requires Directors to consider whether it is appropriate to prepare the financial statements on the basis that the Company and the Group are going concerns. Throughout the financial statements there are various disclosures relating to Group funding and operational risks. The Directors' report summarises the key themes.

The Group does have some exposure to current economic conditions which have the potential to impact annual revenues. To date the economic downturn has reduced Group revenue on its principal lottery operations by 10% in the period. The Directors have prepared downside sensitised forecasts to 31 January 2013 and have implemented cost reductions in the year in order to improve cashflow. The Group continues to trade without the need for loan funding, although cash balances have been reduced in the period.

The downside sensitised forecasts have been reviewed by the Directors to ensure that the profit and cash generation derived from these forecasts are sufficient to meet the Group's requirements. As a result of these reviews, the Directors are of the opinion that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they consider it appropriate to adopt the going concern basis in preparing the financial statements.

THE WEATHER LOTTERY PLC

DIRECTORS' REPORT For the year ended 31 July 2011

Environment policies

The Group is always seeking ways to improve its consumption of resources and ways to protect the environment.

Employee policies

The Group places considerable value on the involvement of the employees and keeps them informed on matters affecting them as employees and on relevant matters affecting the performance of the Group.

The Group's employment policies include a commitment to equal opportunities regardless of sex, age, race, sexual orientation or ethnic origin.

The Group's policy is to give full and fair consideration to applications for employment made by disabled persons, bearing in mind the respective aptitudes of the applicants concerned. In the event of staff becoming disabled every effort would be made to ensure their continued employment within the Group and to provide specialised training where appropriate.

Information to shareholders

The Group has its own website (www.theweatherlottery.com) for the purposes of improving information flow to shareholders as well as potential investors.

Corporate governance

The Group intends to continue with measures previously put in place to ensure that it complies with the Corporate Governance Code in so far as is practicable and appropriate for a public company of its size and nature.

The Group has put into place an Audit Committee and a Remuneration Committee under the control of R R White, a Director. It has primary responsibility for monitoring the quality of internal control and ensuring the financial performance of the Group is properly measured and reported on and for reviewing reports from the Group's auditors relating to its accounting and internal controls. In all cases due regard is given to the interests of the shareholders. It also determines the terms and conditions of service of the executive Directors, including their remuneration and grant of options.

The Directors intend to comply with Rule 21 of the AIM Rules for Companies relating to Directors' dealings as applicable to AIM companies and will also take all reasonable steps to ensure compliance by the Group's applicable employees. In line with the AIM rules for Companies, the Group has adopted an AIM rules compliance policy setting out the procedures to be followed in order that the Company will fully comply with the AIM Rules for Companies.

Relations with shareholders

The Chairman is the Group's principal spokesperson with investors, fund managers, the press and other interested parties. At the Annual General Meeting, private investors are given the opportunity to question the Board.

THE WEATHER LOTTERY PLC

DIRECTORS' REPORT For the year ended 31 July 2011

Internal control

The Board acknowledges its responsibility for establishing and monitoring the Group's systems of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the Directors with reasonable assurance that problems are identified on a timely basis and so can be dealt with appropriately.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange the Directors are required to prepare the Group Financial Statements in accordance with IFRS's as adopted by the EU and applicable laws and have elected to prepare the Parent Company Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group Financial Statements are required by law and IFRS's as adopted by the EU to present fairly the financial position and the performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Parent Company. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS's as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Directors Report and other information contained in the annual report is prepared in accordance with company law in the United Kingdom.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included in the Company's website. Legislation in the UK governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

THE WEATHER LOTTERY PLC
DIRECTORS' REPORT
For the year ended 31 July 2011

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report each confirm the following:

- so far as they are aware, there is no relevant audit information of which the Group's auditors are unaware, and
- they have taken all the steps that they ought to have taken as Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Auditors

Due to rotation requirements under the Ethical Guidelines of the Institute of Chartered Accountants in England and Wales, Rochesters Audit Services Limited will not seek re-appointment at the forthcoming General Meeting. The Directors will consider and appoint new auditors in due course in accordance with the Companies Act 2006.

This report was approved by the Board on 4 January 2012 and signed on its behalf.

R R White
Director

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THE WEATHER LOTTERY PLC**

We have audited the financial statements of The Weather Lottery plc for the year ended 31 July 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Financial Position and Parent Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Sections 495 to 497A of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement (set out on page 11), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standard for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Chairman's Statement and Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and parent company's affairs as at 31 July 2011 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the parent company financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THE WEATHER LOTTERY PLC**

Separate opinion in relation to IFRS's as issued by the IASB

As explained in note 2 to the group financial statements, the group in addition to complying with its legal obligation to apply IFRS's as adopted by the European Union, has also applied IFRS's as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRS's as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements. Our responsibilities do not extend to any other information.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the group and parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosure of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Peter Hewston (Senior Statutory Auditor)
for and on behalf of Rochesters Audit Services Limited
Chartered Accountants and Statutory Auditors**

No 3 Caroline Court
13 Caroline Street
St. Paul's Square
Birmingham
B3 1TR

Date: 4 January 2012

THE WEATHER LOTTERY PLC
CONSOLIDATED INCOME STATEMENT
For the year ended 31 July 2011

	<i>Note</i>	2011 £'000	<i>2010</i> <i>£'000</i>
Continuing operations			
Revenue		1,343	1,231
Cost of sales		<u>(573)</u>	(317)
Gross profit		770	914
Administrative expenses	6	(1,545)	(983)
Finance income	8	-	-
Finance costs	8	(14)	(8)
Loss before taxation		<u>(789)</u>	(77)
Income tax expense	9	-	-
Loss from continuing operations		<u><u>(789)</u></u>	<u>(77)</u>
PROFIT/(LOSS) PER SHARE			
Basic profit/(loss) per ordinary share	10	<u>(0.30)p</u>	(0.08)p
Diluted profit/(loss) per ordinary share	10	<u>(0.27)p</u>	(0.07)p

All of the (loss) for the period is attributable to equity holders of the parent company. The Group has no recognised gains or losses for the year other than the loss for the current year.

THE WEATHER LOTTERY PLC (Registered Number: 04458947)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 July 2011

	Note	2011 £'000	2010 £'000
ASSETS			
Non current assets			
Property, plant and equipment	13	503	4
Goodwill	11	467	158
Other intangible assets	12	73	18
Total non current assets		1,043	180
Current assets			
Inventories	15	2	2
Trade and other receivables	16	209	329
Cash and cash equivalents	16	74	48
Total current assets		285	379
Total assets		1,328	559
Current liabilities			
Trade and other payables	19	874	354
Bank and other borrowings	17	38	-
Current tax payable		-	-
Total current liabilities		912	354
Non-current liabilities			
Bank and other borrowings	17	49	-
Deferred tax provision	21	-	-
Total non-current liabilities		49	-
Total liabilities		961	354
Net assets		367	205
EQUITY			
Share capital	22	380	186
Share premium account	23	1,233	476
Retained earnings	23	(1,246)	(457)
Equity attributable to equity holders of the parent		367	205

The financial statements were approved by the Board of Directors and authorised for issue on 4 January 2012. They were signed on its behalf by:

R R White
Director

THE WEATHER LOTTERY PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 July 2011

	<i>Called up share capital £'000</i>	<i>Share premium account £'000</i>	<i>Retained Earnings £'000</i>	<i>Total Equity £'000</i>
Balance 31 July 2009	186	302	(380)	108
(Loss) for the year	-	-	(77)	(77)
Shares issued in year less costs	-	174	-	174
Balance 31 July 2010	186	476	(457)	205
Shares issued in year less costs	194	757	-	951
(Loss) for the year	-	-	(789)	(789)
Balance 31 July 2011	380	1,233	(1,246)	367

THE WEATHER LOTTERY PLC
CONSOLIDATED CASHFLOW STATEMENT
For the year ended 31 July 2011

	<i>Note</i>	Year ended 31 July 2011	<i>Year ended 31 July 2010 £'000</i>
Net cash from operating activities	25	(121)	<i>(69)</i>
Interest and financing costs		(14)	<i>(8)</i>
Net cash (outflow) from operating activities		(135)	<i>(77)</i>
Cashflow from investing activities			
Acquisition of subsidiary undertakings		(18)	<i>-</i>
Purchases of intangible assets		(63)	<i>(18)</i>
Purchases of property, plant and equipment		(4)	<i>-</i>
Net cash (outflow) from investing activities		(85)	<i>(18)</i>
Financing			
Net proceeds from issue of shares		236	<i>85</i>
Proceeds of new bank and other loans		18	<i>-</i>
Repayment of bank and other loans		(8)	<i>-</i>
Net cash from financing activities		246	<i>85</i>
Net increase/(decrease) in cash and cash equivalents		26	<i>(10)</i>
Cash and cash equivalents at 1 August		48	<i>58</i>
Cash and cash equivalents at 31 July		74	<i>48</i>
Comprising of:			
Cash and cash equivalents per the balance sheet		74	<i>48</i>
Less:			
Bank overdraft		-	<i>-</i>
Cash and cash equivalents for cash flow statement purposes	26	74	<i>48</i>

As described in the accounting policies, bank overdrafts and borrowings repayable on demand fluctuate from being positive to overdrawn and are considered an integral part of the Group's cash management for cash flow statement purposes.

There is no material difference between the fair value and the book value of cash and equivalents.

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

1. General Information

The Weather Lottery plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Units 25-27 Hagley Mews, Hall Drive, Hagley, West Midlands, DY9 9LQ. The nature of the Group's operations and its principal activities are described in the Directors' Report.

These Financial Statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Group operates.

2. Adoption of new and revised International Financial Reporting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 August 2010.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

<i>IAS 1</i>	- <i>Presentation of financial statements (revised)</i>
<i>IAS 12</i>	- <i>Deferred tax – recovery of underlying assets (revised)</i>
<i>IAS 27</i>	- <i>Consolidated and separate financial statements (revised)</i>
<i>IAS 28</i>	- <i>Investments in associates and joint ventures (revised)</i>
<i>IFRS 3</i>	- <i>Business combinations (revised)</i>
<i>IFRS 7</i>	- <i>Financial instruments Disclosures (revised)</i>
<i>IFRS 9</i>	- <i>Financial instruments (revised 2010)</i>
<i>IFRS 10</i>	- <i>Consolidated financial statements</i>
<i>IFRS 11</i>	- <i>Joint arrangements</i>
<i>IFRS 12</i>	- <i>Disclosure of Interests in Other Entities</i>
<i>IFRS 13</i>	- <i>Fair Value Measurement</i>
<i>IFRIC 10</i>	- <i>Interim Financial Reporting and Impairment</i>
<i>IFRIC 11</i>	- <i>Group and Treasury Share Transactions</i>
<i>IFRIC 19</i>	- <i>Extinguishing financial liabilities with equity instruments</i>

These Standards and Interpretations are not expected to have any significant impact on the Group's Financial Statements in their periods of initial application.

3. Significant accounting policies

Basis of Accounting

The Financial Statements, upon which this financial information is based, have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS).

The financial information has been prepared on a going concern basis, as at 31 July 2011, in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as well as all interpretations issued by the

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

continued

International Financial Reporting Interpretations Committee ("IFRIC"). The Group has not availed itself of early adoption options in such standards and interpretations.

The Financial Statements, upon which this financial information is based, have been prepared under the historical cost basis except where specifically noted. The principal accounting policies adopted are set out below:

Going concern

The financial statements have been prepared on a going concern basis notwithstanding a loss for the financial year of £789,000.

The Directors' cashflow forecasts indicate that the Group will be able to operate within its existing bank facilities in the future. As with any business, there are uncertainties in the forecast, but as at the date of approval of these financial statements the Directors are unaware of any indications that would suggest inappropriate assumptions have been made in relation to trading volumes. As a result of these, the Directors are of the opinion that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and have continued to adopt the going concern basis in preparing the financial statements. The financial statements do not include any adjustments which would result from this basis of preparation being inappropriate.

Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 July each year. Control is achieved where the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement 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 the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business Combinations

The purchase method of accounting is used for all acquired businesses as defined by IFRS 3 – Business Combinations.

As a result of the application of the purchase method of accounting, goodwill is initially recognised as an asset being the excess at the date of acquisition of the fair value of the purchase consideration plus directly attributable costs of acquisition over the net fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries acquired. Where fair values are estimated on a provisional basis they are finalised within 12 months of acquisition with consequent changes to the amount of goodwill.

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

continued

Intangible assets

Identifiable intangible assets acquired as part of a business combination are initially recognised separately from goodwill if the assets fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquirer before the business combination was affected. An intangible asset is considered identifiable only if it is separable or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Intangible assets relate to the development of the lottery and on-line gaming (software and related costs). It is considered that the software has a finite useful life and amortisation has been calculated so as to write off the carrying value of it over its useful economic life of 5 years.

Goodwill

Goodwill arising on consolidation represents the excess cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication of impairment. The amount of the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill arising on consolidation is credited to the income statement where the Directors consider that the fair value of the assets is reliable and do not need adjustment and that the negative goodwill relates to a true bargain purchase.

Revenue recognition

Lottery turnover represents takings received for entry into the lottery prize draws. Revenue is recognised upon receipt of the money for the period that the draw takes place. Online gaming turnover represents commission earned on game plays. Football pitch turnover represents cash takings received.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profits for the year. Taxable profit differs from

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

continued

net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow all, or part, of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Useful lives are reviewed annually by the Directors.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives using the straight-line method, on the following bases:

Property	- 5% per annum
Fixtures, fittings and equipment	- 25% per annum

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income. Where there is evidence of impairment, fixed assets are written down to their recoverable amount.

Leased assets

Rentals payable under non-onerous operating leases are expensed in the income statement on a straight-line basis over the lease term.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

continued

estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair values less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in Pounds Sterling, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's function currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Share based payments

Other than for business combinations, the only share based payments of the Group are equity settled share options and certain liability settlements. The Group has applied the requirements of IFRS 2 Share-based Payments.

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

continued

For share options granted an option pricing model is used to estimate the fair value of each option at grant date. That fair value is charged on a straight line basis as an expense in the income statement over the period that the holder becomes unconditionally entitled to the options (vesting period), with a corresponding increase in equity.

For shares issued in settlement of fees and/or liabilities, the Directors estimate the fair value of the shares at issue date and that value is charged on a straight line basis as an expense in the income statement (for fees) or reduction in the balance sheet liability (for liabilities) with a corresponding increase in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials using the first in first out (FIFO) basis. Net realisable value represents the estimated selling price less estimated costs of completion, marketing and selling.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits and are subject to an insignificant risk of changes in value.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate compound at initial recognition.

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liability and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual agreements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recognised at the amount of proceeds received net of costs directly attributable to the transaction. To the extent that those proceeds exceed the par value of the shares issued they are credited to a share premium account.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss using effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

continued

Trade payables

Trade payables are not interest-bearing and are stated at their nominal value.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

4. Critical accounting judgements and key sources of estimation uncertainty

In application of the Group's accounting policies above, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities. These estimates and assumptions are based on historical experience and other factors considered relevant. Actual results may differ from estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period or in the period of the revision and future payments if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Share-based payments

Share-based payments are measured at grant date fair value. For share options granted to employees, in many cases market prices are not available and therefore the fair value of the options granted shall be estimated by applying an option pricing model. Such models need input data such as expected volatility of share price, expected dividends or the risk-free interest rate for the life of the option. The overall objective is to approximate the expectations that would be reflected in a current market price or negotiated exchange price for the option. Such assumptions are subject to judgements and may turn out to be significantly different to expected.

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

continued

5. Segment analysis

The primary reporting format is by business segment, based on the different services offered by the operating companies within the Group. The Directors consider that the Group now has four business segments, namely that of lottery administration, on-line gaming, IT facilities and astro-turf football pitches. There was only one business segment – lottery administration – during the year ended 31 July 2010 and hence no segmental analysis is provided for the comparative period. The Group operates solely in one geographical area, the United Kingdom.

The Directors consider that none of the operations are classed as Discontinued and hence all operations are considered to be Continuing throughout the period.

The analysis of operations per segment for the year ended 31 July 2011 is as follows:

	Lottery	On-line gaming	IT facilities	Football pitches	Un-allocated	Group total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	1,104	223	7	9	-	1,343
Operating profit/(loss)	6	(549)	(3)	-	(229)	(775)
Finance costs	(12)	-	-	-	(2)	(14)
Profit/(loss) before tax	(6)	(549)	(3)	-	(231)	(789)
Tax charge	-	-	-	-	-	-
Profit/(loss) for the year	(6)	(549)	(3)	-	(231)	(789)
Balance sheet						
Total assets	186	304	63	544	231	1,328
Total liabilities	268	60	12	41	580	961

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

continued

The following table analyses assets and liabilities not allocated to business segments as at 31 July 2011:

	£'000
Assets	
Intangible fixed assets	18
Tangible fixed assets	2
Other receivables	150
Cash and cash equivalents	61
	<u>231</u>
Liabilities	
Trade and other payables	529
Borrowings	51
	<u>580</u>

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

continued

6. Operating (loss)

Operating loss has been stated after charging/(crediting) the following:

	2011	2010
	£'000	£'000
Negative goodwill recognised in period	(123)	-
Impairment of goodwill in period	110	-
Amortisation of intangible fixed assets	20	-
Depreciation of tangible fixed assets	7	2
Operating lease charges	37	52
Auditors' remuneration – Audit services to the parent company	1	1
Auditors' remuneration – Audit services to the Group	15	6
Auditors' remuneration – Taxation services	1	1

As permitted by Section 408 of the Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The loss for the period after taxation was £313,000 (2010 £141,000).

7. Personnel costs

	2011	<i>2010</i>
	No.	<i>No.</i>
The average monthly number of employees (including executive and non executive Directors) was	<u>8</u>	<u>9</u>

The split of employees by function within the Group is as follows:

	No.	<i>No.</i>
Administration and Sales	4	5
Management	4	4
Total	<u>8</u>	<u>9</u>

	2011	<i>2010</i>
	£'000	<i>£'000</i>
Their aggregate remuneration comprised		
Wages and salaries	115	150
Social security costs	11	22
Sums paid to third parties for services	77	57
	<u>203</u>	<u>229</u>

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

continued

7. Personnel costs (continued)

	2011	<i>2010</i>
	£'000	<i>£'000</i>
Directors' emoluments	10	<i>73</i>
Emoluments	77	<i>45</i>
Sums paid to third parties for director services	87	<i>118</i>
	<hr/> 87 <hr/>	<hr/> <i>118</i> <hr/>
Number of Directors accruing benefits under money purchase schemes	No. <hr/> - <hr/>	<i>No.</i> <hr/> - <hr/>
Aggregate emoluments of highest paid Director	<hr/> 50 <hr/>	<hr/> <i>73</i> <hr/>

Included within Directors' emoluments is £77,000 (2010 £45,300) paid to directors via related companies, as detailed in note 27. All of the Directors' emoluments relate to short-term employee benefits

8. Finance income and costs

	2011	<i>2010</i>
	£'000	<i>£'000</i>
Finance income	<hr/> - <hr/>	<hr/> - <hr/>
Finance charges	<hr/> 14 <hr/>	<hr/> <i>8</i> <hr/>

9. Income taxes

	2011	<i>2010</i>
	£'000	<i>£'000</i>
Current:		
Current tax for the year	<hr/> - <hr/>	<hr/> - <hr/>
Total current tax charge	<hr/> - <hr/>	<hr/> - <hr/>
Deferred tax credit (note 22)	<hr/> - <hr/>	<hr/> - <hr/>
Total income taxes	<hr/> - <hr/>	<hr/> <i>-</i> <hr/>

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

continued

Tax rate reconciliation

	2011	<i>2010</i>
	£000	<i>£000</i>
Profit/(Loss) for the year	(789)	<i>(77)</i>
Corporation tax charge thereon at 21% (2010: 21%)	(166)	<i>(16)</i>
Adjusted for the effects of:		
Disallowed net expenses/(income) for tax purposes	(1)	<i>2</i>
Depreciation in excess of capital allowances	-	<i>-</i>
Taxable losses and excess charges carried forward	167	<i>14</i>
Income tax expense for the year	-	<i>-</i>

10. Earnings per share

The calculation is based on the earnings attributable to ordinary shareholders divided by the weighted average number of Ordinary Shares in issue during the period as follows:

	2011	<i>2010</i>
Numerator: earnings attributable to equity (£'000)	(789)	<i>(77)</i>
Denominator: weighted average number of equity shares (No.)	<u>266,479,621</u>	<i><u>101,942,173</u></i>

In June 2010 the Company issued 24 million options to subscribe for Ordinary shares of 0.1p each. None of these options were exercised in either the prior or the current period, but had they been they would have increased the weighted average number of equity shares to 290,479,621 (2010 105,942,173) and this amount is used in the calculation of diluted earnings per share.

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

continued

11. Goodwill

	£'000
At 31 July 2010	158
Additions	419
Impairment	(110)
	<hr/>
At 31 July 2011	467
	<hr/> <hr/>

The Group carried out an impairment test of goodwill for the period ended 31 July 2011 as required by IFRS. The Directors consider there to be four cash-generating units, as per note 5. The impairment tests resulted in the recognition of a loss of £110,000 with regards to the on-line gaming unit where the carrying amount of the cash-generating unit was considered higher than its recoverable amount, and hence provision was made in the period for this. No other impairments were recognised in respect of the other cash-generating units.

The principal assumptions made (in both 2011 and 2010) in determining the value in use of the cash-generating unit were:

- Basis on which recoverable amount determined – value in use;
- Period covered by management plans used in calculation – 1 year;
- Pre-tax discount rate applied to cashflow projection – 5%;
- Growth rate used to extrapolate cashflows beyond management plan – 3%;
- Difference between above growth rate and long term rate for UK – 0.5%

The calculation of value in use shown above is most sensitive to the assumptions on discount rates and growth rates. The assumptions used are considered to be realistically achievable in light of economic and industry measures and forecasts. The Directors believe that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

Whilst there can be no certainty that the forecasts used in the impairment calculation will be achieved, the carrying value of goodwill at 31 July 2011 reflects the Directors best estimate based on their knowledge of the business at 31 December 2011 and reflects all matters of which the Directors are aware as at the date of approval of these financial statements.

Acquisitions

During the year the Group completed its purchase of the entire share capital of the following three companies:

- Devil Fish Poker Ltd – an on-line gaming company acquired via a share issue as identified in note 22 to the financial statements;
- Click Now Ltd – a company providing search engine facilities acquired via a share

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

continued

issue as identified in note 22 to the financial statements;

- Soccerdome Ltd – a company with floodlit astro-turf football pitches in Nottingham, acquired via a share issued as identified in note 22 to the financial statements.

The performance of these companies is detailed in the Segmental Reporting information in Note 5. The results of Devil Fish Poker Ltd are combined with another subsidiary, FC Betz Ltd, in the On-line gaming operation – on its own Devil Fish Poker Ltd contributed revenue of £170,000 post acquisition and trading losses of £150,000. It is not practicable to identify the impact on the Group's results if all three companies had been acquired on 1 August 2010, as this information is not readily available.

The confidence in the markets in which the companies operate and the identified synergies that the Group is expected to obtain contributed to the amounts paid for goodwill for each acquisition. Those assets do not meet the recognition criteria prescribed by IFRS 3 – Business Combinations – and therefore have not been recognised as separate intangible assets, but assumed in goodwill.

The fair value of assets and liabilities acquired on each acquisition, and resultant goodwill, are shown below:

	Devil Fish Poker	Soccer Dome	Click Now
	£'000	£'000	£'000
Assets			
Intangible assets	11	-	-
Property and equipment	1	503	-
Receivables	6	40	-
Cash and cash equivalents	5	1	-
	<u>23</u>	<u>544</u>	<u>-</u>
Liabilities			
Bank and other borrowings	-	40	-
Trade payables	34	-	-
Other payables	17	-	-
	<u>51</u>	<u>40</u>	<u>-</u>
Net assets acquired	<u>(28)</u>	<u>504</u>	<u>-</u>
Consideration paid:			
Shares	330	375	49
Cash expenses	7	6	5
	<u>337</u>	<u>381</u>	<u>54</u>
Goodwill recognised	<u>365</u>	<u>(123)</u>	<u>54</u>

The negative goodwill in respect of Soccerdome Limited was taken direct to the income statement in the period.

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

continued

12. Other intangible assets

	<i>Website and software design and development</i>	
	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
Cost		
At 1 August	172	154
Additions	75	18
	247	172
At 31 July	247	172
Amortisation		
At 1 August	154	154
Charge for the year	20	-
	174	154
At 31 July	174	154
Net Book Value		
At 31 July	73	18

No amortisation was recognised in the year to 31 July 2010 as the additions related to development costs in respect of operations which commenced after the year end.

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

continued

13. Property and office equipment

	<i>Land and buildings</i>	<i>Office equipment</i>	Total
	£'000	£'000	2011 £'000
Cost			
At 1 August	-	8	8
Additions	503	3	506
At 31 July	503	11	514
Depreciation			
At 1 August	-	4	4
Charge for the year	4	3	7
At 31 July	4	7	11
Net Book Value			
At 31 July 2011	499	4	503
At 31 July 2010	-	4	4

14. Subsidiaries

Details of the company's subsidiaries at 31 July 2011 are as follows:

<u>Name of subsidiary</u>	<u>Company number</u>	<u>Place of incorporation (or registration) and operation</u>	<u>Proportion of ownership interest & of voting power held</u>	<u>Holding</u>	<u>Principal activity</u>
Prize Provision Services Limited	03152966	England and Wales	100%	Ordinary shares	Lottery provider
Prize Logistics Limited	06221487	England and Wales	100%	Ordinary shares	Lottery administrator

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

continued

FC Betz Limited	07304154	England and Wales	100%	Ordinary shares	Online gaming activities
Clicknow Limited	05391900	England and Wales	100%	Ordinary shares	Online marketing
Devil Fish Poker Limited	05529624	England and Wales	100%	Ordinary shares	Commission earned via website
Soccerdome Limited	02948017	England and Wales	100%	Ordinary shares	Operates floodlit pitches

15. Inventories

	2011	<i>2010</i>
	£'000	<i>£'000</i>
Finished goods	2	<i>2</i>
	<hr/>	<hr/>

16. Other financial assets

Trade and other receivables

	2011	<i>2010</i>
	£'000	<i>£'000</i>
Unpaid share capital	-	<i>160</i>
Trade receivables	47	<i>-</i>
Other receivables	146	<i>65</i>
Prepayments and accrued income	16	<i>104</i>
	<hr/> 209 <hr/>	<hr/> <i>329</i> <hr/>

The average credit period taken on all sales is 13 days for the year ended 31 July 2011. In the year ended 31 July 2010 the Group's turnover solely consisted of transactions recognised upon cash receipt and hence there were no trade receivables and no credit period given.

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

continued

The Group has provided fully for all receivables which are not considered recoverable. In determining the recoverability of all receivables, the Group considers any change in the credit quality of the receivable up to the reporting date. As at the year end date there were no receivables past due which were either not provided against nor not covered by set-off arrangements with trade payables.

The Directors consider that the carrying amount of the receivables approximates their fair value.

Cash and cash equivalents

	2011	<i>2010</i>
	£'000	<i>£'000</i>
Cash and cash equivalents	74	<i>48</i>

Cash and cash equivalents comprises cash held by the Group and short-term bank deposits with an original maturity of 6 months or less. The carrying amount of these assets approximates their fair value.

17. Borrowings

Borrowings at 31 July 2011 (none at 31 July 2010) include bank loans of £36,000 which are secured on the land and buildings of Soccerdome Limited and personal guarantees. All of the loans are repayable on a fixed monthly repayment basis.

£49,000 of the borrowings are due for settlement after 12 months but within 5 years, with £38,000 being due for settlement within 12 months.

18. Derivatives financial instruments and hedge accounting

At 31 July 2011 and 2010 the Group had no derivatives in place for cash flow hedging purposes.

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

continued

19. Other financial liabilities

Trade and other payables

	2011	<i>2010</i>
	£'000	<i>£'000</i>
Trade payables	635	288
Other payables	203	61
Accrued liabilities and deferred income	36	5
	874	354

Other payables comprise:

	£'000	<i>£ 000</i>
Social security and other taxes	36	22
Other	167	39
	203	61

Presented as:

- Current	874	354
-----------	------------	-----

Accrued liabilities and deferred income represents miscellaneous contractual liabilities that relate to expenses that were incurred, but not paid for at the year-end and income received during the period, for which the Group had not supplied the goods or services at the end of the year.

The Directors consider that the book value of trade payables, accrued liabilities and deferred income approximates to their fair value at the balance sheet date.

The average credit period taken for trade purchases is 99 days (2010 56 days).

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

continued

20. Financial instruments: information on financial risks

Financial risks are discussed in the Directors' Report and below.

Capital risk management

The Group manages its capital to ensure that the Group as a whole will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 17, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 22 to 23.

Gearing ratio

As at 31 July 2010 the Group had no debt and hence no gearing ratio is provided. As at 31 July 2011 the gearing ratio is as follows:

	£'000
Debt	(87)
Cash and cash equivalents	74
Net Debt	(13)
Equity	367
Net debt to equity ratio	3.5%

Debt is defined as long and short-term borrowings.

Equity includes all capital and reserves of the Group attributable to equity holders of the parent.

Financial risk management objectives

The main market risks to which the Group is exposed are interest rates. There is also exposure to credit risk and liquidity risk. The Group monitors these risks and will take appropriate action to minimize any exposure.

Credit risk

The Group's exposure to credit risk is minimal due to turnover being in the main recognised upon cash receipt, hence the amount of trade receivables is negligible.

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

continued

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Regulatory compliance risk

Regulatory compliance risk is the risk of material adverse impact resulting from failure to comply with laws, regulations, codes of conduct or standards of good practice governing the sector in which the Group operates. The Group is monitored by the financial director who is responsible for meeting regulatory and compliance obligations.

Interest rate risk

The Group's exposure to interest rate risk mainly concerns financial assets and liabilities, which are subject to floating rates in the Group. At presents the Group's loans are on fixed-rate interest rates and hence it is not exposed to risk on these should rates move.

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

21. Deferred taxation

A deferred tax asset has not been recognised in the years ended 31 July 2011 nor 31 July 2010 in respect of taxable losses carried forward of approximately £880,000 (2010 £115,000) as there is insufficient historic evidence that it will be recoverable in full against taxable profits during the next 12 months.

There are not considered to be any material temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised.

22. Equity share capital

	2011	<i>2010</i>
	£'000	<i>£'000</i>
Allotted, called up and fully paid		
380,404,738 (2010: 185,971,398) Ordinary Shares of 0.1p each	380	<i>186</i>

In accordance with Section 9 of the Companies Act 2006, during the year the Company passed a special resolution to revoke the concept of authorised share capital and amended its Articles of Association accordingly.

During the year the Company issued 0.1p Ordinary shares as follows:

- 5,000,000 shares issued at 0.975p each on 1 October 2010 for the acquisition of Clicknow Limited;
- 46,666,670 shares issued on 11 October 2010 at 0.23p each for the raising of working capital;
- 30,000,000 shares issued at 0.966p each on 21 December 2010 for the acquisition of Devil Fish Poker Limited;
- 3,000,000 shares issued on 21 April 2011 at 0.5p per share as settlement of certain liabilities;
- 34,766,670 shares issued on 17 May 2011 at 0.49p per share as a placing;
- 75,000,000 shares issued at 0.5p each on 1 June 2011 for the acquisition of Soccerdome Limited;

23. Other reserves

	<i>Share premium</i>	<i>Profit and loss account</i>
	<i>£'000</i>	<i>£'000</i>
At 1 August 2010	476	(457)
Shares issued less costs	757	-
Result for the period	-	(789)
At 31 July 2011	1,233	(1,246)

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

continued

24. Share-based payments

Certain Directors and key management were issued with share options on 8 June 2010, exercisable immediately at a price fixed at the date of issue. If the options remain unexercised after a period of seven years from the date of grant the options expire.

Details of options granted to date and still outstanding at the end of the year are as follows:

<i>Date of Grant</i>	2011 <i>No.</i> £'000	<i>Exercise</i> <i>price</i>	<i>Exercise period</i>
8 June 2010	8,100,000	0.75p	8 June 2010 to 2 June 2017
8 June 2010	8,100,000	1.0p	8 June 2010 to 2 June 2017
8 June 2010	7,800,000	1.25p	8 June 2010 to 2 June 2017

All of the above options were outstanding at the year end. The options had a weighted average exercise price of 0.997p and a remaining contractual life of 5.8 years. The Directors consider that the estimated fair values of the options at grant date was £nil due to the prevailing market price being lower than the exercise price. As the fair value is currently considered to be £nil, no amount has been recognised in either the income statement or in equity in respect of these options.

As detailed in note 22, during the year shares were issued to third parties as settlement for certain liabilities to the value of £15,000.

25. Cash used in operations

	2011 £'000	<i>2010</i> <i>£'000</i>
Results from operating activities	(775)	(69)
Depreciation of tangible assets	7	2
Amortisation and impairment of goodwill and intangible assets	130	-
Negative goodwill	(123)	-
Share based payments	-	32
Increase in stock	-	-
Decrease/(increase) in receivables	120	(155)
Increase in payables	520	121
Net cash from operations	(121)	(69)

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

continued

26. Analysis of net debt

	2011	<i>2010</i>
	£'000	<i>£'000</i>
Cash and cash equivalent per balance sheet	74	<i>48</i>
Bank overdraft	-	<i>-</i>
Cash and cash equivalent per cash flow statement	74	<i>48</i>
Bank loan due within one year	(87)	<i>-</i>
Bank loan over one year	-	<i>-</i>
Net debt	(13)	<i>48</i>

27. Transactions with related parties

The transactions set out below took place between the Group and certain related parties.

R R White

R R White, a director, charged the Group £30,000 (2010 £nil) in the year, for directorship services provided, via Freedom Telemarketing Ltd and £20,000 (2010 £nil) via Telecom Maintenance Solutions Ltd, companies of which he is also a director.

K G Milhench

K G Milhench, a director for part of the year, was also a director of CBI Holdings Limited. CBI Holdings Limited is the parent company of Cantbuyit Limited. During the year The Weather Lottery plc made payments of £ 500 (2010 £5,950) on behalf of Cantbuyit Limited and at the year end was owed £9,950 (2010 £9,450) from this company. This whole amount has been provided for as irrecoverable as at 31 July 2011, although the Company will pursue repayment.

A Moore

A Moore, a director, was also a Designated Member of Central Corporate Finance LLP in the year. He charged the Group £12,000 (2010 £36,750) via this partnership for directorship services in the period, of which £12,000 was outstanding at the year end.

Lord E T Razzall

Lord E T Razzall, a director, charged the Group £15,000 (2010 £3,750) in the year, for directorship services provided, via an entity trading as R T Associates. At the year R T Associates was owed £2,850 (2010 £nil).

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

continued

J M Botros

J M Botros, the Company Secretary, charged the Group £1,000 (2010 £nil) in the year, for Company Secretarial services provided, and £52,852 for legal services provided and expenses. At the year he was owed £25,810 (2010 £nil).

As referred to in Note 24, share options were granted in 2010 to Directors and key management, all of which were outstanding at the year end. The following options were held by the Directors and key management at the year end:

	Options No.	Option details
Lord E T Razzall	3,200,000	See A below
A Moore	3,200,000	See A below
R R White	3,200,000	See A below
J Botros	4,800,000	See B below
J Williams	4,800,000	See B below

A – 1,100,000 at 0.75p, 1,100,000 at 1p and 1,000,000 at 1.25p

B – 1,600,000 at 0.75p, 1,600,000 at 1p and 1,600,000 at 1.25p

All of the options are exercisable by 2 June 2017.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is as referred to above, on page 8 within the Directors Report and in Note 7.

28. Operating lease commitments

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2011	<i>2010</i>
	£'000	<i>£'000</i>
Land and buildings:		
Within one year	16	-
In the second to fifth years inclusive	-	-
After five years	-	-
Other:		
Within one year	-	5
In the second to fifth years inclusive	-	-
After five years		
	16	5
	16	5

THE WEATHER LOTTERY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2011

continued

Operating lease payments represent rentals payable by the Group for office premises. Leases are negotiated over the term considered most relevant to the individual subsidiary and rentals are fixed where possible for that term.

29. Controlling Party

No single individual has sole control of the company.

30. Events after the balance sheet date

The company issued share capital to the value of £125,000 on 20 September 2011 and appointed A J A Flitcroft as Finance Director on 7 November 2011.

31. Going Concern

The Group made a loss for the year of £789,000 as a result of trading difficulties with its on-line gaming operations and legal fees in respect of a fraud perpetrated by an ex-Director. The Group has undertaken changes to its on-line gaming facilities in order to restrict future losses. It has also amended its lottery operations by reducing the number of draws but at a higher entry price – this should result in maintained turnover but lower prize payment costs, thereby leading to increased profits in this area. .

During the year the Group has raised approximately £950,000 of funds through share issues and, as per note 30, a further £125,000 post year end. These additional funds have supported the Group's net asset position and enabled the Group to manage through the losses in the period.

Given these changes made to the Group's ongoing operations, together with the additional capital in place, the Directors consider that the Group continues to be a going concern and they forecast that that there is sufficient funding in place to enable the continuance of the Group.

THE WEATHER LOTTERY PLC
PARENT COMPANY BALANCE SHEET
For the year ended 31 July 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Intangible fixed assets	III	18	18
Fixed assets	III	2	-
Investments	III	<u>675</u>	<u>14</u>
		695	32
Current assets			
Debtors	IV	717	267
Cash at bank and in hand		<u>61</u>	<u>1</u>
		778	268
Creditors: Amounts falling due within one year	V	<u>(720)</u>	<u>(217)</u>
Net current assets		<u>58</u>	<u>51</u>
Total assets less current liabilities		753	83
Creditors: Amounts falling due over one year	V	<u>(32)</u>	<u>-</u>
Net assets		<u><u>721</u></u>	<u><u>83</u></u>
Capital and Reserves			
Share capital	VI	380	186
Share premium	VI	1,233	476
Profit and loss account	VII	<u>(892)</u>	<u>(579)</u>
Equity shareholders' funds		<u><u>721</u></u>	<u><u>83</u></u>

The Financial Statements were approved by the Board of Directors and authorised for issue on 4 January 2012. They were signed on its behalf by:

R R White
Director

THE WEATHER LOTTERY PLC
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS
For the year ended 31 July 2011

I. Accounting Policies

There are no material differences between the accounting policies of the Group except as detailed below:

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

The separate Financial Statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate Financial Statements have been prepared in accordance with United Kingdom accounting standards.

The Company's financial risk management policies are disclosed in the consolidated financial statements.

II. Operating profit

The auditors' remuneration for audit and other services is disclosed in note 6 of the consolidated financial statements.

In the current year the company had no employees other than the Directors, who are all remunerated by the company.

III. Fixed Assets

The company's intangible assets consist of research and development costs of £18,000 (2010: £18,000) as detailed in note 12 of the consolidated financial statements. There was no amortisation in the period due to the amount being considered immaterial.

The company's tangible fixed assets consist of additions of office equipment in the period of £2,000 with depreciation of £300, leading to a net book value at 31 July 2011 of £2,000 when rounded to £'000s. There were no fixed assets held at 31 July 2010.

The company's investments consist of investments in subsidiaries of £675,000 (2010: £14,000).

Details of the Company's subsidiaries at 31 July 2011 can be found in Note 14 of the attached consolidated Financial Statements.

	2011	<i>2010</i>
Cost and net book value of Shares in subsidiary undertakings	£'000	<i>£'000</i>
Cost as at 1 August	14	14
Additions	771	-
Impairment	(110)	-
Net Book Value at 31 July	675	14

THE WEATHER LOTTERY PLC
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS
For the year ended 31 July 2011

IV. Debtors

	2011	2010
	£'000	£'000
Unpaid share capital	-	160
Amounts due to subsidiary undertakings	542	-
Other debtors	164	15
Prepayments and accrued income	11	92
	717	267

V. Creditors

	2011	2010
	£'000	£'000
Amounts falling due within one year		
Amounts due from subsidiary undertakings	172	57
Bank and other borrowings	19	-
Trade creditors	358	158
Other creditors	141	-
Accruals and deferred income	30	2
	720	217
Amounts falling due over one year		
Bank and other borrowings	32	-

VI. Share capital and share premium account

The movements on share capital and share premium are disclosed in notes 22 and 23 to the consolidated financial statements.

VII. Profit and loss reserves

	2011	2010
	£'000	£'000
Balance at 1 August	(579)	(438)
(Loss) for the year	(313)	(141)
	(892)	(579)

THE WEATHER LOTTERY PLC
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS
For the year ended 31 July 2011

VIII. Controlling party

No single individual has sole control of the company.

THE WEATHER LOTTERY PLC
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS
For the year ended 31 July 2011
