

THE WEATHER LOTTERY PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2012
REGISTERED NUMBER: 04458947 (England and Wales)

THE WEATHER LOTTERY PLC

COMPANY INFORMATION

DIRECTORS	Lord E T Razzall A J A Flitcroft
SECRETARY	J M Botros
COMPANY NUMBER	04458947
REGISTERED OFFICE	The Old Rectory Main Road Ombersley Droitwich Worcestershire WR9 0EW
NOMINATED ADVISERS AND BROKERS	Allenby Capital Limited Claridge House 32 Davies Street Mayfair London W1K 4ND
AUDITORS	Hart Shaw LLP Europa Link Sheffield Business Park Sheffield S9 1XU
SOLICITORS	Harrison Clark 5 Deansway Worcester WR1 2JG
REGISTRARS	SLC Registrars Limited 42-46 High Street Esher Surrey KT10 9QY
PRINCIPAL BANKERS	Lloyds TSB Bank plc 134 High Street Stourbridge West Midlands DY8 1DS
BROKERS	SVS Securities plc 21 Wilson Street London EC2M 2SN

THE WEATHER LOTTERY PLC

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THE WEATHER LOTTERY PLC

CHAIRMAN'S STATEMENT For the year ended 31 July 2012

Operating and Financial Review

In my review of the half-year figures to 31 January 2012 the company made losses of £201,000 (EBITDA £170,000). Whilst these were a considerable improvement on the previous very difficult year I pointed out that they included a number of legacy problems from the past and I hoped the second half would show much improvement. I am pleased to report that the losses in the second half have been cut to £90,000 (EBITDA £44,000) against £468,000 (EBITDA £460,000) for the same period last year.

These improved figures represent the hard work done in settling losses from the gambling sector and the final conclusion of the very difficult problems caused by the well documented activities of the former Managing Director leading to his conviction at the end of October 2011.

During the current year R White resigned from the Board in May 2012. The company will be making a further appointment to the Board in due course. Jeff Williams has taken over the position of Executive Director of the subsidiary companies and also become the Annex A manager of the lottery operations responsible for licence holder Prize Provision Services Limited (PPSL) to the Gambling Commission. In June following these changes by arrangement the Gambling Commission carried out an inspection of the operations of the Lottery. It was clear that the historic systems did not comply with the requirements of the Gambling Act 2006 or the Commission code of practice and a full review was undertaken. Following these findings the company will take legal advice on whether any claims exist in respect of the activities of the former management.

PPSL immediately engaged lottery expert G Caswell on the recommendation of the Lottery Council. He has worked with the employees for the last six months to ensure that the systems comply in all respects with the law and the code of practice. I am pleased to say that as a result of this hard work the Gambling Commission have confirmed they are satisfied that the lottery now complies in most respects going forward. In addition, in the areas which still need to be improved, arrangements have been made to bring these up to standard within a reasonable agreed time frame. I can safely say that as a result of this investigation and the work done under the supervision of the Consultant the lottery is now operating to a greater standard of compliance than ever before. The lottery is profitable and is well placed for expansion following this review.

In my last statement I advised that the acquisition of the Soccerdome Five-a-Side centre in Nottingham had not performed as well as hoped for two reasons. Firstly the court surfaces were in worse condition than represented by the vendor which may give rise to a claim for damages. Secondly the uncertainty about a possible major leisure development meant a refurbishment would have to be delayed. I am pleased to say that Nottingham City Council have decided to proceed with a major leisure development at the site involving expenditure of up to £13million pounds with the possibility of additional sports grants.

Soccerdome Limited has closed the facility by mutual agreement with the Council on satisfactory financial terms and expects the value of its leasehold interest to be greatly enhanced by the development. Moreover on re-opening in 2015 it expects, with the greatly increased footfall, the profitability of the business will considerably increase. Soccerdome has become a much more valuable business occupying a much more valuable site as a result of these developments.

The Gambling Division which was responsible for significant losses has now been re-organised to largely eliminate any losses going forward. FC Betz limited has made very small profits from a much reduced level of trading activity. Devilfish has also been placed with a new service provider on improved operating terms.

THE WEATHER LOTTERY PLC

**CHAIRMAN'S STATEMENT
For the year ended 31 July 2012**

This year has seen the completion of the cleaning up process caused by historic problems in the management of the Lottery division and the loss making activities in the gambling subsidiaries. Those are now in the past. The Lottery is better placed than ever going forward and the developments at the Soccerdome Ltd site are exciting. The Weather Lottery plc has no bank debt itself with only a minimal bank loan in Soccerdome Ltd which was in existence at the time of acquisition and which is the liability of, and being repaid by the vendor. It is not therefore a finance cost of the group. The TWL group is strongly placed in this regard and the Board continues to look for new profit sources to give shareholder value which in the past years have regrettably not been generated.

Lord E T Razzall
Chairman

THE WEATHER LOTTERY PLC

DIRECTORS' REPORT For the year ended 31 July 2012

The Directors present their Report and the annual Financial Statements for the year ended 31 July 2012.

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, 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.

THE WEATHER LOTTERY PLC

DIRECTORS' REPORT For the year ended 31 July 2012

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 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.

THE WEATHER LOTTERY PLC
DIRECTORS' REPORT
For the year ended 31 July 2012

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 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 21 within the financial statements.

Dividends

The Directors do not recommend a dividend for the year (2011: £nil).

Directors

The following Directors held office during the financial year ended 31 July 2012:

Lord E T Razzall	
A J A Flitcroft	Appointed 7 November 2011
R R White	Resigned 21 May 2012
A Moore	Resigned 1 August 2011

THE WEATHER LOTTERY PLC

DIRECTORS' REPORT
For the year ended 31 July 2012

Directors' interests in shares and warrants

The Directors who held office at 31 July 2012 had the following interests in the shares of the Company, including family interests:

	Ordinary shares of 0.1p each	
	<i>At 31 July 2012</i>	<i>At 31 July 2011 (or date of appointment, if later)</i>
Lord E T Razzall	20,000,000	8,000,000
R R White (resigned 21 May 2012)	-	3,333,334
A Moore (resigned 1 August 2011)	-	8,000,000

The following share options have been issued to the Directors of the Company, none were exercised in the year to 31 July 2011 and all were still held at the year end:

	<i>Number</i>	<i>Exercise price</i>	<i>Exercise period</i>
Lord E T Razzall	3,200,000	0.75p-1.25p	8 June 2010 – 2 June 2017

Further details of these options are given in notes 25 and 28 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>
	£ '000	£ '000	£ '000	£ '000
Lord E T Razzall	15	-	-	15
R R White (resigned 21 May 2012)	31	-	-	31
A J A Flitcroft (appointed 7 November 2011)	23	-	-	23

THE WEATHER LOTTERY PLC
DIRECTORS' REPORT
For the year ended 31 July 2012

Substantial shareholdings

The Company has been notified of the following substantial holdings of ordinary 0.1p shares as at 6 November 2012

	<i>Percentage Holding</i>	<i>No. of shares</i>
HALB Nominees Ltd*	11.98%	52,905,392
SVS (Nominees) Ltd***	7.23%	31,946,416
Petwood Hotel Ltd	6.79%	30,000,000
J M Botros Esq	6.03%	26,626,588
Pershing Nominees Ltd**	4.98%	21,975,279
C Crawford****	3.96%	17,466,666
TD Direct Investing Nominees Ltd	3.56%	15,720,004
Barclayshare Nominees Ltd	3.32%	14,674,686

* - held on behalf of J and M Williams.

In addition J S Williams Esq holds 12,000,000 shares (2.72%) personally.

** - includes 12,800,279 shares (2.43%) held on behalf of J Botros Esq, 8,000,000 shares (1.81%) held on behalf of Lord E T Razzall.

In addition Lord E T Razzall holds 12,000,000 shares (2.72%) personally.

*** - includes 13,333,333 shares (3.02%) held on behalf of MCI Services Ltd.

**** - C Crawford Esq also holds 6,320,000 shares (1.43%) held in the name of Davycrest Nominees.

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

Capital structure

Details of the issued share capital are shown in note 23. 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 23.

THE WEATHER LOTTERY PLC

DIRECTORS' REPORT For the year ended 31 July 2012

Donations

Charitable and political donations made by the Group during the year amounted to £nil (2011: £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 2012, the Group had an average of 95 days (2011: 99 days) of purchases outstanding in trade creditors.

Post balance sheet events

The Group has carried a restructuring of the subsidiary companies. In addition Soccerdome Limited and Nottingham City Council agreed on mutually beneficial terms that it will close the football courts until redevelopment of the site has been completed. Soccerdome Limited will receive financial compensation together with valuable improvements to the terms of the Lease in consideration of closing the site for redevelopment.

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 marginally reduced Group revenue on its principal lottery operations in the period. The Directors are confident that the Group has sufficient resources and support to ensure that the profit and cash generation derived from future trading are sufficient to meet the Group's future 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.

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.

THE WEATHER LOTTERY PLC

DIRECTORS' REPORT For the year ended 31 July 2012

Information to shareholders

The Group has its own website (www.theweatherlotteryplc.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 A J A Flitcroft, Finance 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.

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 WEATHER LOTTERY PLC

DIRECTORS' REPORT For the year ended 31 July 2012

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.

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.

A J A Flitcroft
Director

Date: 10 January 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

THE WEATHER LOTTERY PLC For the year ended 31 July 2012

We have audited the financial statements of The Weather Lottery plc for the year ended 31 July 2012 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 pages 11-12), 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 2012 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
For the year ended 31 July 2012**

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.

Emphasis of matter

In forming our opinion on the financial statements we have considered the adequacy of the disclosures made in note 32 of the financial statements concerning Going Concern. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

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.

**Paul Dawson (Senior Statutory Auditor)
for and on behalf of Hart Shaw LLP
Chartered Accountants and Business Advisers**

Europa Link
Sheffield Business Park
Sheffield
South Yorkshire
S9 1XU
Date: 10 January 2013

THE WEATHER LOTTERY PLC
CONSOLIDATED INCOME STATEMENT
For the year ended 31 July 2012

	Note	2012 £'000	2011 £'000
Continuing operations			
Revenue		1,142	1,343
Cost of sales		(723)	(573)
		<hr style="border-top: 1px dashed black;"/>	
Gross profit		419	770
Administrative expenses	6	(705)	(1,545)
Finance income	9	-	-
Finance costs	9	(5)	(14)
		<hr style="border-top: 1px dashed black;"/>	
Loss before taxation		(291)	(789)
Income tax expense	10	-	-
		<hr style="border-top: 1px dashed black;"/>	
Loss from continuing operations		(291)	(789)
		<hr style="border-top: 3px double black;"/>	
LOSS PER SHARE			
Basic loss per ordinary share	11	(0.07)p	(0.30)p
		<hr style="border-top: 3px double black;"/>	
Diluted loss per ordinary share	11	(0.06)p	(0.27)p
		<hr style="border-top: 3px double black;"/>	

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 31 July 2012

	Note	2012 £'000	2011 £'000
ASSETS			
Non current assets			
Property, plant and equipment	14	476	503
Goodwill	12	467	467
Other intangible assets	13	44	73
Total non current assets		987	1,043
Current assets			
Inventories	16	2	2
Trade and other receivables	17	101	209
Cash and cash equivalents	17	18	74
Total current assets		121	285
Total assets		1,108	1,328
Current liabilities			
Trade and other payables	20	805	874
Bank and other borrowings	18	37	38
Current tax payable		-	-
Total current liabilities		842	912
Non-current liabilities			
Trade and other payables	20	40	-
Bank and other borrowings	18	-	49
Deferred tax provision	22	-	-
Total non-current liabilities		40	49
Total liabilities		882	961
Net assets		226	367
EQUITY			
Share capital	23	442	380
Share premium account	24	1,321	1,233
Retained earnings	24	(1,537)	(1,246)
Equity attributable to equity holders of the parent		226	367

The financial statements were approved by the Board of Directors and authorised for issue on 10 January 2013. They were signed on its behalf by:

A J A Flitcroft
Director

THE WEATHER LOTTERY PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 July 2012

	Called up share capital	Share premium account	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000
Balance 31 July 2010	186	476	(457)	205
(Loss) for the year	-	-	(789)	(789)
Shares issued in year less costs	194	757	-	951
Balance 31 July 2011	380	1,233	(1,246)	367
Shares issued in year less costs	62	88	-	150
(Loss) for the year	-	-	(291)	(291)
Balance 31 July 2012	442	1,321	(1,537)	226

THE WEATHER LOTTERY PLC
CONSOLIDATED CASHFLOW STATEMENT
For the year ended 31 July 2012

	Note	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
Net cash from operating activities	26	(135)	(121)
Interest and financing costs		(5)	(14)
Net cash outflow from operating activities		(140)	(135)
Cashflow from investing activities			
Acquisition of subsidiary undertakings		-	(18)
Purchases of intangible assets		(11)	(63)
Purchases of property, plant and equipment		(5)	(4)
Net cash outflow from investing activities		(16)	(85)
Cashflow from financing activities			
Net proceeds from issue of shares		150	236
Proceeds of new bank and other loans		-	18
Repayment of bank and other loans		(50)	(8)
Net cash from financing activities		100	246
Net (decrease) / increase in cash and cash equivalents		(56)	26
Cash and cash equivalents at 1 August 2011		74	48
Cash and cash equivalents at 31 July 2012		18	74
Comprising of:			
Cash and cash equivalents per the balance sheet		18	74
Less:			
Bank overdraft		-	-
Cash and cash equivalents for cash flow statement purposes	27	18	74

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 2012

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 The Old Rectory, Main Road, Ombersley, Droitwich, WR9 0EW. 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 2011.

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:

IAS 19 – Employee Benefits

IAS 27 – Consolidated and separate financial statements (revised)

IAS 28 – Investments in associates and joint ventures (revised)

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

Amendments to IFRS7 – Disclosures – Offsetting Financial Assets and Financial Liabilities

IFRS 9 – Financial instruments (revised 2010)

IFRS 10 – Consolidated financial statements

IFRS 11 – Joint arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

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 2012, 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

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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 £291,000.

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.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 31 July 2012

the asset had been recognised by the acquire 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 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

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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 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.

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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.

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.

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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.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 31 July 2012

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.

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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. 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 2012 is as follows:

	Lottery	On-line Gaming	IT Facilities	Football Pitches	Unallocated	Group total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	975	140	12	15	-	1,142
Amortisation	-	22	-	-	-	22
Depreciation	4	1	-	24	3	32
Impairment	-	18	-	-	-	18
Operating profit/(loss)	240	(203)	7	(50)	(280)	(286)
Finance costs	(2)	-	-	(1)	(2)	(5)
Profit/(loss) before tax	238	(203)	7	(51)	(282)	(291)
Tax charge	-	-	-	-	-	-
Profit/(loss) for the year	238	(203)	7	(51)	(282)	(291)
Balance sheet						
Total assets	179	318	57	490	64	1,108
Non current asset additions	6	7	-	-	3	16
Total liabilities	376	70	31	33	372	882

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. Segment analysis (continued)

The following table analyses assets and liabilities not allocated to business segments as at 31 July 2012:

	£'000
Assets	
Intangible fixed assets	18
Tangible fixed assets	1
Other receivables	35
Cash and cash equivalents	10
	64
Liabilities	
Trade and other payables	348
Borrowings	24
	372

6. Expenses

The following material expenses are included in cost of sales:

	2012	2011
	£'000	£'000
Revenue share	91	256
Processing and transaction fees	32	103
Fees to clients	389	352
Prizes payable	111	365
Player rake back	28	74

The following material expenses are included in administrative expenses:

	2012	2011
	£'000	£'000
Consultancy fees	190	174
Office rent and rates	37	37
Hotel and travel	25	23
Professional fees	80	51
Bank charges	34	14

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7. Operating (loss)

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

	2012	<i>2011</i>
	£'000	<i>£'000</i>
Negative goodwill recognised in period	-	(123)
Impairment of goodwill in period	-	110
Amortisation of intangible fixed assets	40	20
Depreciation of tangible fixed assets	32	7
Operating lease charges	37	37
Auditors' remuneration – audit services to the parent company	1	1
Auditors' remuneration – audit services to the Group	10	15
	<hr/>	<hr/>
Auditors' remuneration – taxation services	2	1
	<hr/>	<hr/>

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 £193,000 (2011 £313,000).

8. Personnel costs

	2012	<i>2011</i>
The average monthly number of employees (including executive and non executive Directors) was	No.	<i>No.</i>
	7	<i>8</i>
	<hr/>	<hr/>
The split of employees by function within the Group is as follows:	No.	<i>No.</i>
Administration and Sales	3	<i>4</i>
Management	4	<i>4</i>
	<hr/>	<hr/>
Total	7	<i>8</i>
	<hr/>	<hr/>
	2012	<i>2011</i>
Their aggregate remuneration comprised	£'000	<i>£'000</i>
Wages and salaries	80	<i>115</i>
Social security costs	9	<i>11</i>
Sums paid to third parties for services	46	<i>77</i>
	<hr/>	<hr/>
	135	<i>203</i>
	<hr/>	<hr/>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. Personnel costs (continued)

Directors' emoluments	£'000	<i>£'000</i>
Emoluments	23	<i>10</i>
Sums paid to third parties for director services	46	<i>77</i>
	69	<i>87</i>
Number of Directors accruing benefits under money purchase schemes	No.	<i>No.</i>
	-	<i>-</i>
Aggregate emoluments of highest paid Director	31	<i>50</i>

Included within Directors' emoluments is £64,000 (2011: £77,000) paid to directors via related companies, as detailed in note 28. All of the Directors' emoluments relate to short-term employee benefits

9. Finance income and charges

	2012	<i>2011</i>
	£'000	<i>£'000</i>
Finance income	-	<i>-</i>
Finance charges	5	<i>14</i>

10. Income taxes

	2012	<i>2011</i>
	£'000	<i>£'000</i>
Current:		
Current tax for the year	-	<i>-</i>
Total current tax charge	-	<i>-</i>
Deferred tax credit (note 22)	-	<i>-</i>
Total income taxes	-	<i>-</i>

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10. Income taxes (continued)

Tax rate reconciliation

	2012	<i>2011</i>
	£'000	<i>£'000</i>
Loss for the year	(291)	<i>(789)</i>
Corporation tax charge thereon at 20% (2011: 21%)	(58)	<i>(166)</i>
Adjusted for the effects of:		
Disallowed net income for tax purposes	(25)	<i>(1)</i>
Depreciation in excess of capital allowances	13	<i>-</i>
Taxable losses and excess charges carried forward	70	<i>167</i>
Income tax expense for the year	-	<i>-</i>

11. 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:

	2012	<i>2011</i>
Numerator: earnings attributable to equity (£'000)	(291)	<i>(789)</i>
Denominator: weighted average number of equity shares (No.)	404,312,311	<i>266,479,621</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 428,312,311 (2011: 290,479,621) and this amount is used in the calculation of diluted earnings per share.

12. Goodwill

	£'000
At 31 July 2011	467
Additions	<i>-</i>
Impairment	<i>-</i>
At 31 July 2012	467

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12. Goodwill (continued)

The Group carried out an impairment test of goodwill for the period ended 31 July 2012 as required by IFRS. The Directors consider there to be four cash-generating units, as per note 5. No impairments were recognised in respect of these cash-generating units.

The principal assumptions made (in both 2012 and 2011) 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 2012 reflects the Directors best estimate based on their knowledge of the business at 31 December 2012 and reflects all matters of which the Directors are aware as at the date of approval of these financial statements.

13. Other intangible assets

	<i>Website and software design and development</i>	
	2012	2011
	£'000	£'000
Cost		
At 1 August 2011	247	172
Additions	11	75
	258	247
At 31 July 2012	258	247
Amortisation		
At 1 August 2011	174	154
Charge for the year	22	20
Impairment	18	-
	214	174
At 31 July 2012	214	174
Net Book Value		
At 31 July 2012	44	73

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For the year ended 31 July 2012

14. Property and office equipment

	Land and buildings	Office equipment	Total 2012
	£'000	£'000	£'000
Cost or valuation			
At 1 August	503	11	514
Additions	-	5	5
At 31 July	503	16	519
Depreciation			
At 1 August	4	7	11
Charge for the year	24	8	32
At 31 July	28	15	43
Net Book Value			
At 31 July 2012	475	1	476
At 31 July 2011	499	4	503

15. Subsidiaries

Details of the company's subsidiaries at 31 July 2012 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 & voting power held</u>	<u>Holding</u>	<u>Principal activity</u>
Prize Provision Services	03152966	England and Wales	100%	Ordinary shares	Lottery provider
Prize Logistics Limited	06221487	England and Wales	100%	Ordinary shares	Dormant company (see note 31)
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

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16. Inventories

	2012	2011
	£'000	£'000
Finished goods	2	2
	2	2

17. Other financial assets

Trade and other receivables

	2012	2011
	£'000	£'000
Unpaid share capital	-	-
Trade receivables	2	47
Other receivables	44	146
Prepayments and accrued income	55	16
	101	209

The average credit period taken on all sales is 1 day for the year ended 31 July 2012, (2011: 13 days)

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

	2012	2011
	£'000	£'000
Cash and cash equivalents	18	74
	18	74

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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18. Borrowings

Borrowings at 31 July 2012 include bank loans of £14,000 (2011: £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.

None of the borrowings are due for settlement after 12 months but within 5 years, with £37,000 being due for settlement within 12 months.

19. Derivatives financial instruments and hedge accounting

At 31 July 2012 and 2011 the Group had no derivatives in place for cash flow hedging purposes.

20. Other financial liabilities

Trade and other payables

	2012	<i>2011</i>
	£'000	<i>£'000</i>
Trade payables	395	<i>635</i>
Other payables	349	<i>203</i>
Accrued liabilities and deferred income	101	<i>36</i>
	845	<i>874</i>
Other payables comprise:		
	£'000	<i>£'000</i>
Social security and other taxes	29	<i>36</i>
Other	320	<i>167</i>
	349	<i>203</i>
Presented as:		
- Current	805	<i>874</i>
- Non Current	40	<i>-</i>

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 95 days (2011: 99 days).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 31 July 2012

21. 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 18, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 23 to 24.

Gearing ratio

As at 31 July 2011 the Group gearing ratio was 3.5%. As at 31 July 2012 the gearing ratio is as follows:

	£'000
Debt	(37)
Cash and cash equivalents	18
Net Debt	(19)
<hr/>	
Equity	226
<hr/>	
Net debt to equity ratio	8.4%
<hr/>	

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 minimise 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 31 July 2012

21. Financial instruments: information on financial risks (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 present the Group's loans are on fixed rate interest rates and hence it is not exposed to risk on these should rates move.

22. Deferred taxation

A deferred tax asset has not been recognised in the years ended 31 July 2012 nor 31 July 2011 in respect of taxable losses carried forward of approximately £1,166,000 (2011: £880,000) 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.

23. Equity share capital

	2012	<i>2011</i>
	£'000	<i>£'000</i>
Allotted, called up and fully paid		
441,627,159 (2011: 380,404,738) Ordinary Shares of 0.1p each	<u>442</u>	<u><i>380</i></u>

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

- 17,466,666 shares issued at 0.462p each on 29 September 2011 to C Crawford;
- 311,311 shares issued at 0.462p each on 29 September 2011 to J M Botros;
- 4,444,444 shares issued at 0.462p each on 5 January 2012 to J M Botros;
- 39,000,000 shares issued at a 0.1p each to J M Botros, Williams, E T Razzall and A Moore to pay outstanding creditors.

THE WEATHER LOTTERY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2012

24. Other reserves

	Share premium	Profit and loss account
	£'000	£'000
At 1 August 2011	1,233	(1,246)
Shares issued less costs	88	-
Result for the period	-	(291)
	-	(291)
At 31 July 2012	1,321	(1,537)

25. 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>	2012	Exercise price	Exercise period
	No. £'000		
8 June 2010	5,900,000	0.75p	8 June 2010 to 2 June 2017
8 June 2010	5,900,000	1.00p	8 June 2010 to 2 June 2017
8 June 2010	5,800,000	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 1.00p and a remaining contractual life of 4.8 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 23, during the year shares were issued to third parties as settlement for certain liabilities to the value of £39,000.

THE WEATHER LOTTERY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2012

26. Cash used in operations

	2012	<i>2011</i>
	£'000	<i>£'000</i>
Results from operating activities	(291)	<i>(775)</i>
Finance costs	5	<i>7</i>
Depreciation of tangible assets	32	
Amortisation and impairment of goodwill and intangible assets	40	<i>130</i>
Negative goodwill	-	<i>(123)</i>
Share based payments	-	<i>-</i>
Increase in stock	-	<i>-</i>
Decrease in receivables	108	<i>120</i>
Decrease in payables	(29)	<i>520</i>
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net cash from operations	(135)	<i>(121)</i>
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

27. Analysis of net debt

	2012	<i>2011</i>
	£'000	<i>£'000</i>
Cash and cash equivalent per balance sheet	18	<i>74</i>
Bank overdraft	-	<i>-</i>
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Cash and cash equivalent per cash flow statement	18	<i>74</i>
Bank loan due within one year	(37)	<i>(87)</i>
Bank loan over one year	-	<i>-</i>
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net debt	(19)	<i>(13)</i>
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

28. 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 former director, charged the Group £31,000 (2011: £30,000) in the year, for directorship services provided, via Freedom Telemarketing Ltd, of which £nil (2011: £nil) was outstanding at the year end.

A Moore

A Moore, a former director, was also a Designated Member of Central Corporate Finance LLP in the year. There was no charge to the Group (2011: £12,000) via this partnership for directorship services in the year, although £10,000 (2011: £10,000) was still outstanding at the year end.

Lord E T Razzall

Lord E T Razzall, a director, charged the Group £13,750 (2011: £15,000) in the year, for directorship services provided, via an entity trading as R T Associates. At the year end R T Associates was owed £1,600 (2011: £2,850).

THE WEATHER LOTTERY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 31 July 2012

28. Transactions with related parties (continued)

J M Botros

J M Botros, the Company Secretary, charged the Group £80,000 (2011: £52,852) in the year, for Company Secretarial and legal services provided. At the year end there was £35,000 outstanding (2011: £25,810).

J S Williams

J S Williams, the general manager, charged the Group £51,250 (2011: £nil) in the year for his services provided, via FCBid Limited, of which £13,023 (2011: £nil) was outstanding at the year end. A charge to the Group of £29,160 (2011: £nil) for his services was also made, via DFP consultancy, of which £29,160 (2011: £nil) was outstanding at the year end.

Issue of Equity

On 18 June 2012 the Company issued the following ordinary 0.1p shares ("Shares") in part settlement of fees due to Company personnel.

- The Right Honourable Lord E T Razzall CBE, Non-Executive Chairman, 12,000,000 Shares in settlement of £12,000 fees due.
- J M Botros, Company Secretary and Legal Adviser, 12,000,000 Shares in settlement of £12,000 fees due.
- J S Williams, General Manager, 12,000,000 Shares in settlement of £12,000 fees due.
- A Moore, Consultant on gambling matters, 3,000,000 Shares in settlement of £3,000 fees due.

The new shares were issued at 0.1p per share, a 25% premium to the closing mid-market price of the Shares on 15 June 2012.

As referred to in Note 25, 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
J M Botros	4,800,000	See B below
J S 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 8.

THE WEATHER LOTTERY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 31 July 2012

29. 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:

	2012	<i>2011</i>
	£'000	£'000
Land and buildings:		
Within one year	-	16
In the second to fifth years inclusive	16	-
After five years	-	-
Other:	-	-
Within one year	-	-
In the second to fifth years inclusive	-	-
After five years	<u>16</u>	<u>16</u>

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.

30. Controlling party

No single individual has sole control of the company.

31. Events after the balance sheet date

Prize Provision Services limited

Following a review by The Gambling Commission of the Company's lottery operations Prize Provision Services Limited became the sole trading entity of the lottery. Prize Provision Services Limited is a wholly owned subsidiary of The Weather Lottery plc and is licensed by the Gambling Commission as an External Lottery Manager. As part of this overall restructuring Click Now Limited ceased to have any role in the administration of the lottery, and Prize Logistics Limited, a company which had been dormant since the end of 2011, was placed in liquidation. The liquidation is not yet completed but is expected to be finished early in the new year.

Soccerdome limited

As stated in previous announcements the site of the Soccerdome five-a-side facility has been under consideration for a major leisure development by Nottingham Council. On 27 June 2012 The Weather Lottery plc through its wholly owned subsidiary Soccerdome Limited advised that Nottingham City Council had confirmed its intention to redevelop the Harvey Hadden Leisure Centre involving an investment of over £13m on new state-of-the art sports facilities. Soccerdome Limited, holds a lease until 2031 over a central part of the site under which it operates a five-a-side facility with eight courts.

THE WEATHER LOTTERY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 31 July 2012

31. Events after the balance sheet date (continued)

On 19th December 2012 following protracted negotiations Soccerdome Limited and Nottingham City Council agreed on mutually beneficial terms that it will close the football courts until redevelopment of the site has been completed. Soccerdome Limited will receive financial compensation together with valuable improvements to the terms of the Lease in consideration of closing the site for redevelopment. As part of its commitment Soccerdome Limited intends to refurbish the five-a-side facility. The Directors of both TWL and Soccerdome Limited believe that the proposed development is very exciting and will substantially increase both the business of Soccerdome and the value of its asset. A final decision on the future of Soccerdome within the group has not yet been taken but the development has increased both the options and value of what the directors believe will be a very attractive business opportunity.

32. Going Concern

The Group made a loss for the year of £291,000 (2011: £789,000) and an EBITDA loss of £231,000 (2011: £761,000) as a result of trading losses in its online gaming operations and legal fees and associated costs in respect of expense irregularities submitted by an ex-Director.

However in the second six months of the year trading losses were reduced significantly as the Group continued to implement a cost cutting program and further streamline its operations. During the second half of the year the loss before tax was £90,000 (2011: £468,000) and an EBITDA loss of £44,000 (2011: £460,000).

In addition management has undertaken changes to its online gaming facilities in order to restrict future losses and together with the recent temporary closure of its 5-a-side facility has further reduced outgoings. The lottery division continues to be a profitable part of the Group contributing to head office costs.

Given these changes made to the Group's ongoing operations, together with the additional capital available from our supporting shareholders, the Directors consider that the Group continues to be a going concern and they forecast 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 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Intangible fixed assets	III	18	18
Property, Plant and Equipment	III	2	2
Investments	III	675	675
		<u>695</u>	<u>695</u>
Current assets			
Debtors	IV	882	717
Cash at bank and in hand		10	61
		<u>892</u>	<u>778</u>
Creditors: Amounts falling due within one year	V	<u>(869)</u>	<u>(720)</u>
Net current assets		<u>23</u>	<u>58</u>
Total assets less current liabilities		718	753
Creditors: Amounts falling due over one year	V	<u>(40)</u>	<u>(32)</u>
Net assets		<u>678</u>	<u>721</u>
Capital and Reserves			
Share capital	VI	442	380
Share premium	VI	1,321	1,233
Profit and loss account	VII	<u>(1,085)</u>	<u>(892)</u>
Equity shareholders' funds		<u>678</u>	<u>721</u>

The Financial Statements were approved by the Board of Directors and authorised for issue on 10 January 2013. They were signed on its behalf by:

A J A Flitcroft
Director

THE WEATHER LOTTERY PLC

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS For the year ended 31 July 2012

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 applicable 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 7 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 (2011: £18,000) as detailed in note 13 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 office equipment with a net book value of £2,000 when rounded to £'000s.

The company's investments consist of investments in subsidiaries of £675,000 (2011: £675,000).

Details of the Company's subsidiaries at 31 July 2012 can be found in Note 15 of the attached consolidated Financial Statements.

THE WEATHER LOTTERY PLC

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS
For the year ended 31 July 2012

III. Fixed Assets (continued)

Cost and net book value of Shares in subsidiary undertakings	2012	2011
	£'000	£'000
Cost as at 1 August 2011	675	14
Additions	-	771
Impairment	-	(110)
	<hr/>	<hr/>
Net Book Value at 31 July 2012	675	675
	<hr/> <hr/>	<hr/> <hr/>

IV. Debtors

	2012	2011
	£'000	£'000
Unpaid share capital		-
Amounts due from subsidiary undertakings	844	542
Other debtors	18	164
Prepayments and accrued income	20	11
	<hr/>	<hr/>
	882	717
	<hr/> <hr/>	<hr/> <hr/>

V. Creditors

	2012	2011
	£'000	£'000
Amounts falling due within one year		
Amounts due to subsidiary undertakings	536	172
Bank and other borrowings	24	19
Trade creditors	233	358
Other creditors	17	141
Accruals and deferred income	59	30
	<hr/>	<hr/>
	869	720
	<hr/> <hr/>	<hr/> <hr/>
Amounts falling due over one year		
Trade creditors	40	-
Bank and other borrowings	-	32
	<hr/>	<hr/>
	40	32
	<hr/> <hr/>	<hr/> <hr/>

VI. Share capital and share premium account

The movements on share capital and share premium are disclosed in notes 23 and 24 to the consolidated financial statements.

THE WEATHER LOTTERY PLC

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS
For the year ended 31 July 2012

VII. Profit and loss reserves

	2012 £'000	2011 £'000
Balance at 1 August 2011	(892)	(579)
(Loss) for the year	<u>(193)</u>	<u>(313)</u>
Balance at 31 July 2012	<u>(1,085)</u>	<u>(892)</u>

VIII. Controlling party

No single individual has sole control of the company.

IX. Related parties

The transactions set out below took place between the parent company and its subsidiaries.

	2012 £,000	2011 £,000
Management charge to:		
Click Now Limited	138	25
Management charges from:		
Prize Logistics Limited	25	-
Prize Provision Services Limited	28	-
Balances included in debtors:		
Devilfish Poker Limited	224	97
FCBetz Limited	550	443
Click Now Limited	65	2
Soccerdome Limited	4	-
Balance included creditors:		
Prize Provision Services Limited	536	172
Bad debts written off:		
Prize Logistics Limited	<u>49</u>	<u>-</u>